



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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CITY OF JACKSON
SCHEDULE OF ELECTED OFFICIALS AND RELEVANT INDIVIDUALS
As of 12/31/00

City Council

Term

Dennis Hodge, Council President	01/01/99 - 12/31/01
Brett Reed	01/01/99 - 12/31/01
Cary M. Brown	01/01/99 - 12/31/01
Stephen W. Lundy	01/01/99 - 12/31/01
Randy R. Heath	01/01/99 - 12/31/01
Shane Goodman	01/01/99 - 12/31/01
Brett Foster*	01/01/99 - 12/31/01
Eddie J. Hughes	01/01/99 - 12/31/01

Mayor

Tom Evans	01/01/00 - 12/31/03
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City Auditor

Carl Barnett	01/01/00 - 12/31/03
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City Treasurer

Hayden Oiler	01/01/98 - 12/31/01
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City Administration

Ronald Speakman, Safety/Service Director

Steve Benson, City Engineer

John L. Detty, City Law Director

* - Replaced by Bryan Davis for the term beginning January 1, 2002

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**CITY OF JACKSON
OTHER RELEVANT INDIVIDUALS
As of 12/31/00**

Department Heads

James Norris, Director of Water/Wastewater Departments

William McManis, Electric Superintendent*

Melvin B. Davis, Street and Alley/Garbage Superintendent

Jeffrey Coyan, Water Superintendent

Revis Osborne, Sewer Superintendent

Shelba Harless, Utilities Superintendent

Don Mercer, Wastewater/Water Distribution Superintendent

Other Personnel

Robin Bissell (Poetker), Executive Assistant

Barb Rinehart, Administrative Assistant

Felicia Walls, Administrative Assistant

* - Mr. McManis was off on sick leave for surgery for six months and later retired. Upon retirement, he was replaced by Roger Fisher in early 2000.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Report of Independent Accountants

The Honorable Jonathan Blanton
Jackson County Prosecutor
350 Portsmouth St., Suite 100
Jackson, Ohio 45640

The Honorable John Shasteen
Jackson County Sheriff
350 Portsmouth Street
Jackson, Ohio 45640

We have conducted a "Special Audit" and performed the procedures summarized below and detailed in our "Supplement to the Special Audit Report," which were agreed to by you. These procedures were performed solely to determine whether payments made by the City of Jackson (the City) for the period of January 1, 1999 through December 31, 2000, were related to City operations and in accordance with city policies and in compliance with applicable provisions of the Ohio Revised Code; whether the contracts awarded and expenditures made during the period of January 1, 1996 through December 31, 2000, for the Sundry Building renovations were in compliance with the Ohio Revised Code bidding requirements; and to verify whether the DARE and COPS Grants' expenditures for the period January 1, 1995 through December 31, 2000, were allowable. This engagement to apply procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the results of those procedures are summarized as follows:

1. We reviewed the City of Jackson's (the "City") expenditures during the period of January 1, 1999 through December 31, 2000 to determine whether the expenditures were made for City operations, in accordance with City policies and in compliance with applicable provisions of the Ohio Revised Code.

Significant Results - For the period January 1, 1989 to December 31, 2001, the City made monthly transfers from its enterprise utility funds to the General Fund totaling \$6,056,262. These transfers were not permitted by Ohio Rev. Code Sections 5705.14 to 5705.16. Therefore, we issued a finding for adjustment against the General Fund in the amount of \$6,056,262 in favor of the Water Fund (\$1,660,090), the Sewer Fund (\$1,945,533), the Electric Fund (\$2,272,176), and the Garbage Fund (\$178,463).

We noted 64 instances of City expenditures totaling \$777,901 which were wholly or disproportionately allocated to the incorrect fund because they benefitted another fund or the operations of the City as a whole. The City has not developed a formal cost allocation plan for fiscal years 2000 and prior and was unable to provide documentation to support the reasoning or methodology for allocating the costs as they did. We issued findings for adjustment of \$669,376 related to the utility funds and \$108,525 related to other funds.

The City allocated payroll expenses for various employees to funds based on their job responsibilities. A review of available time studies for an entire year for three employees noted the allocation was not reflective of the duties performed. We issued findings for adjustments for the salary allocations for those three individuals totaling \$40,898.

As a result of the findings for adjustment for illegal transfers and for the improper allocation of the City's payroll and nonpayroll expenditures, the City's General Fund has a negative cash balance as of December 31, 2001 of approximately \$5.3 million. A summary of the net effect of the findings for adjustment on the cash balances of the City's funds as of December 31, 2001, is included in Appendix B of this report.

The illegal transfers and the complete or disproportionate allocation of general government expenses to the utility funds indicates that the City is using the revenues of the City utilities to fund the general government operations of the City. As a result, City utility customers pay higher than necessary utility rates for the services they receive because the rates are set based on the costs of providing all government services rather than simply the costs associated with providing utility services. We recommended the City analyze and reduce its utility rates to a rate that generates sufficient revenues to operate and maintain its utility systems. We recommended the City implement a City income tax to fund general government operations which it previously funded through the excess revenue generated by its utilities.

We proposed findings for recovery totaling \$64,688 against various vendors and City employees for double payments and for payment made for services which were not received, and totaling \$57,726 against various vendors and City employees for violations of contractual provisions, negotiated union agreements, City policies, and/or City Ordinances. The Safety/Service Director was named individually and jointly and severally for \$40,646 of these proposed findings for recovery since he approved the payroll and nonpayroll expenditures which violated the negotiated union agreements, City policies, and/or City Ordinances and benefitted directly from City employees performing work on his behalf. Based on cash repayments and additional information provided by vendors, we considered \$11,741 as findings for recovery repaid under audit. Based on additional information provided by the City, we further reduced the amount of the actual findings for recovery. Appendix A of this report summarizes the individuals against whom we have issued findings for recovery totaling \$88,212 and each individual's respective amount.

We noted numerous transactions, agreements, relationships, and/or activities which represent potential conflicts of interests which we have referred to the Ohio Ethics Commission for its review. These instances are summarized in Appendix C of this report.

The owner of Jackson Hardware knowingly allowed City employees to make personal purchases on the City's open charge account and falsified invoices to the City by identifying these personal purchases on the invoice as ordinary items like nuts, bolts, gloves, or breakers. Wendell Brunton, owner of Brunton Contracting, was unable to provide documentation to support labor and equipment rental charges for work performed at the Richmonddale railroad crossing. We were unable to investigate either of these matters further due to a fire at a storage area which allegedly housed business records of Jackson Hardware and Brunton Contracting.

We issued 10 noncompliance citations and 37 management comments regarding the City purchasing and disbursement process.

2. We reviewed recorded expenditures and supporting documentation relating to the refurbishing of the Sundry Building to house the Police Department, Utilities Office, and the Council Chambers to determine whether bidding requirements, if applicable, were followed and whether expenditures were made in accordance with applicable provisions of the Ohio Revised Code.

Significant Results - Two contracts for \$8,767 and \$9,951, respectively, were awarded by the City to Brunton Contracting for portions of the refurbishing project. Neither of the contracts were required to be competitively bid because they did not meet the required dollar amount. One of the contracts was formally approved by City Council; however, the other was awarded directly by the Safety/Service Director. The contract awarded by the Safety/Service Director was not approved by the City's Board of Control as required by Ohio Rev. Code Section 733.22. The Safety/Service Director is the brother-in-law of the owner of Brunton Contracting.

During the Period, it appeared that the City Board of Control did exist as required by the Ohio Rev. Code. However, the City was unable to provide documentation that the Board met to approve expenditures or maintained minutes of its activities and decisions. We issued a noncompliance citation regarding this matter.

3. For the period January 1, 1995 to December 31, 2000, we reviewed recorded grant expenditures charged to the City's various COPS and DARE grants and determined whether the grant expenditures were in accordance with the grant guidelines and whether the local match money, if applicable, was provided in accordance with the grant guidelines.

Significant Results - We issued federal questioned costs totaling \$341,837 for the five U.S. Department of Justice COPS grants and three DARE grants awarded to the City's Police Department because grant expenditures were unallowable, were unsupported, and/or exceeded budgeted expenditure amounts.

We noted numerous required quarterly reports or bi-annual reports for the programs were either not filed with the grantor agency, were not filed timely, or the amounts contained on the reports could not be traced to the City's accounting records.

4. On March 21, 2002, we held an exit conference with the following Officials:

Dennis Hodge, Council President	Brett Reed, Councilman
Cary Brown, Councilman	Stephen Lundy, Councilman
Randy Heat, Councilman	Shane Goodman, Councilman
Eddie Hughes, Councilman	Bryan Davis, Councilman
J. T. Evans, Mayor	Ron Speakman, Safety/Service Director
John "Jack" Detty, Law Director	Carl Eisnaugle, Police Chief
Carl Barnett, City Auditor	Wendy Sexton, GAAP Coordinator
Aggie Stevenson, Deputy Auditor	

John Shasteen, Jackson County Sheriff
Jonathan Blanton, Jackson County Prosecutor
Jim Ephlin, Chief Deputy, Jackson County Sheriff

John W. Bentine, Esq., Chester, Wilcox & Saxbe LLP

The attendees were given an opportunity to respond to this Special Audit. We received a written response from the City of Jackson dated May 20, 2002, a written response from the Jackson County Sheriff dated April 3, 2002, and a written response from the Jackson County Prosecutor dated May 17, 2002. The responses were reviewed and changes were made where we deemed necessary.

On May 20, 2002, Chester Wilcox & Saxbe LLP delivered an additional response on behalf of the City. Included with their response was a draft cost allocation plan prepared by Maximus, Inc. This cost allocation plan was prepared using actual cost data from fiscal years 2001 and 2002, and was marked for use in fiscal year 2003. The response does not specifically address any of the general government costs which were paid by the City's utility funds except that it confirms that even in the best case, in fiscal year 2001, the City overcharged approximately \$196,000 of general government expenses to its utility funds which supports the findings for adjustment made in this report. Any mathematical projection of this cost allocation plan to fiscal years prior to 2001 would be misleading.

In addition, the City made illegal transfers of cash totaling \$6,056,262 from its utility funds to support its general government operations from 1989 through 2001. The City effectively overcharged its utility customers during that time in lieu of implementing a City-wide income tax. In a separate draft exhibit, Maximus, Inc., attempts to explain certain transfers as cost justified even though they were unable to complete cost allocation studies for those prior years due to inadequate records. However, it is evident that in the most current years, the City used utility fund revenues to fund its general government operations. Maximus, Inc., failed to even mention or offer any justification for \$1,293,000 in "rent reimbursement" transfers and was unable to offer any support for \$933,000 in "right of way" transfers.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report." Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the City's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures, and does not extend to any financial statements of the City taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.



Jim Petro
Auditor of State

February 11, 2002

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BACKGROUND

On January 23, 2001, representatives from the Auditor of State's Office met with Jonathan Blanton, Jackson County Prosecutor, and John Shasteen, Jackson County Sheriff, to discuss allegations which they had compiled involving officials of the City of Jackson (the City). The following allegations were presented during this meeting:

- ▶ The City Safety/Service Director, Ron Speakman, is the brother-in-law of the newly elected County Commissioner, Wendell Brunton. During the campaign, Mr. Speakman served as Mr. Brunton's campaign treasurer. A concern was expressed that a portion of the cost of the political signs used during Mr. Brunton's campaign was paid with City funds.
- ▶ In 1997, the City refurbished the Sundry Building to serve as a police station, utilities office and council chambers. The following concerns were expressed regarding this refurbishment:
 - ▶ The contracts for the different types of work to be performed at the Sundry Building were split to ensure the contracts were below the bid threshold of \$10,000. As a result, Ron Speakman, Safety/Service Director was able to steer the contracts to his brother-in-law Wendell Brunton.
 - ▶ There were numerous change orders paid by the City which significantly increased the amount Brunton Contracting received for the work performed.
- ▶ A large quantity of shingles was delivered to the City's Electric Department and paid with City funds. It was alleged these shingles were used by Wendell Brunton to replace the roof on Ron Speakman's home and an outbuilding.
- ▶ The Electric Department Supervisor purchased boots for himself and his girlfriend using the City's VISA credit card.
- ▶ Mr. Speakman telephoned the Electric Plant Supervisor on a Sunday morning in November 2000, and ordered him to purchase siding on the City's VISA credit card. The Supervisor was instructed not to tell anyone about the purchase and to deliver the siding to Mr. Speakman's personal residence.
- ▶ Personnel at the Electric Department utilized an open charge account at Jackson Hardware to purchase personal items at the City's expense. In addition, it was alleged that Paul Sexton, an electric plant employee, charged numerous items on the City's account to refurbish several of his rental units.
- ▶ It was alleged that Mr. Speakman required the city mechanics to work on his personal riding lawn mowers while on city time and using city parts.
- ▶ Numerous law enforcement grants obtained by the City were used improperly by transferring funds between grants, using previous funds for current matching requirements, inaccurately reporting grant expenditures, by making unallowable expenditures, and expending all of the grant funds for a three-year grant in one year.

We performed a preliminary investigation which provided documentation and/or information to support some of the above allegations.

This information from our initial meeting with the Jackson County Prosecutor and Sheriff, and our preliminary investigation was presented to the Auditor of State's Special Audit Committee which on February 14, 2001, voted to initiate a Special Audit of the City.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 1 - Review of City Expenditures

We reviewed the City of Jackson's (the City) expenditures during the period of January 1, 1999 through December 31, 2000 (the Period) to determine whether the expenditures were made for City operations, in accordance with City policies and procedures, and in compliance with applicable provisions of the Ohio Revised Code.

Procedures

1. We reviewed available documentation which supported payments to the following local vendors with which the City maintained open charge account(s) to ensure the purchases were related to City operations in accordance with City policies; and in compliance with the applicable provisions of the Ohio Revised Code:
 - a. Jackson Hardware
 - b. Montgomery Machine
 - c. Jerry's Do-It Center
 - d. 84 Lumber
 - e. Western Auto
 - f. R & J Sales
 - g. West Virginia Electric
 - h. Jackson Implement
 - i. Brunton Contracting
 - j. Walmart
 - k. Quality Stores
 - l. HMI, Inc.
2. We reviewed available documentation which supported payments to Compugraf - X.¹ We conducted interviews to verify whether or not the payments were for campaign signs for Wendell Brunton, current County Commissioner.
3. We reviewed available documentation which supported expenditures charged to the City's credit cards to determine whether the expenditures were for a purpose related to City operations, in accordance with City policies, and in compliance with applicable provisions of the Ohio Revised Code.
4. We reviewed available documentation which supported the remaining expenditures made during the Period and determined whether the expenditures were related to City operations, in accordance with City policies, and in compliance with applicable provisions of the Ohio Revised Code.
5. We traced any assets purchased as identified in Procedure Nos. 1 through 4 to the City's fixed asset listing. If the asset was not included on the listing, we attempted to physically locate the asset to ensure assets purchased were in the City's possession.
6. As necessary, we conducted interviews of City officials and/or employees to obtain further information regarding certain expenditures identified while performing Procedure Nos. 1 through 4.
7. We reviewed payroll expenditures and related fringe benefits for selected employees to verify the payments were in accordance with approved pay schedules, supported by documentation, and were reported to the Internal Revenue Service in accordance with the Internal Revenue Code.

¹Compugraf-X was the vendor from which Wendell Brunton allegedly purchased campaign signs for his campaign for County Commissioner.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Results

1. During 1999 and 2000, the City maintained open charge accounts with several local vendors. We identified the following during our review of expenditures to those vendors:

Jackson Hardware

The City paid \$53,789 in 1999 and \$37,998 in 2000 to Jackson Hardware. We summarized the items purchased and noted the following purchases for unusually large quantities of items:

Item	1999 Purchases	2000 Purchases
Gloves	\$3,367	\$3,346
Nuts, Bolts	2,759	2,992
Breakers	2,642	2,692
4-0 URD Wire	14,553	6,766
	<u>\$23,321</u>	<u>\$15,796</u>

During a review of the other open charge accounts the City maintains with vendors, we noted the bulk of the City's electrical purchases were from West Virginia Electric and not from Jackson Hardware. We interviewed various city employees to determine the reason behind these unusually large quantities of purchases for the above items.

According to Roger Fisher, Electric Department Superintendent, and Ron Aldridge and Paul Sexton, Electric Department employees, each stated that they were aware of City employees who purchased personal items using the City's open charge account. Mr. Fisher and Mr. Aldridge both stated that they were aware that the owner of Jackson Hardware, William Ratcliff, identified these personal purchases on invoices to the City as other items normally purchased in the operation of the City rather than the item actually purchased.

Each of the individuals indicated when a purchase was made by the City employee it was written on an invoice. The purchases were written on the same invoice until it was full. When the invoice was filled, the employee with the last purchase signed the invoice and then provided it to either Roger Fisher or William McManis for approval. The invoice was then paid through the City's normal payment process.

To determine whether Jackson Hardware maintained an inventory of items which supported the large quantities purchased, we subpoenaed Jackson Hardware for inventory records and a listing of vendors who sold URD wire to Jackson Hardware. In response to our subpoena, Mr. Ratcliff stated that his business records were destroyed in a fire in February 2001.

We obtained and reviewed the official reports of the State of Ohio State Fire Marshal's Office, and the City of Jackson Police Department concerning the fire, interviewed the person who admitted setting the fire, reviewed the claim file maintained by Mr. Ratcliff's insurance company, and interviewed the owners of the salvage company paid to remove the fire debris. Based on the review of these documents and the results of our interviews, we were unable to conclude whether, or to what extent, the business records for Jackson Hardware had been destroyed. The review of the Michigan Miller Mutual Insurance Company files noted that Mr. Ratcliff had submitted vendor invoices as proof of loss. These documents were requested in our subpoena.

We interviewed Linda Russ and Ernie Forshey, employees of Jackson Hardware, to determine whether the business records existed. Ms. Russ indicated she did not believe that the records had been destroyed, and that to her knowledge, they were located in a shelf storage area within the hardware store. Mr. Forshey indicated that he was uncertain about the presence of business records. He was not familiar with the storage of business records in the building that had burned.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We interviewed Mr. Ratcliff about the documentation requested in our subpoena. Mr. Ratcliff provided available business activity information obtained by Ms. Russ from the store's computer system and the 2000 records for vendors who supplied Jackson Hardware. Mr. Ratcliff also stated that many of the vendors he purchased supplies from were "fly by night vendors" who he did not know but who simply showed up at the store with material to sell. Mr. Ratcliff stated he purchased a roll of 4-0 URD wire from an unknown individual and that the majority of the URD wire was purchased by the City.

Mr. Ratcliff also indicated many purchases made by City employees were often not identified on invoices as the actual items purchased. He stated that in many instances, City employees would come into the store, pick up items and leave. In these instances, he would determine the purchase price of the item and document the items as something else on the invoice. He provided the following example: an employee of the Electric Department would come into the store, obtain a bottle of orange juice and not pay for it. Mr. Ratcliff indicated he billed the City for the juice by recording it as gloves or bolts or something similar on the invoice.

Mr. Ratcliff indicated other employees would take items such as coffee pots, tools and hardware items. Mr. Ratcliff stated he suspected some of the items were not for the City, however, since he was having financial difficulties, he did not question the employees about the purchases.

Although the quantities of gloves, nuts, bolts, and breakers appear excessive, due to the lack of available records, we could not conclude whether Jackson Hardware's inventory could support the quantities purchased or identify the actual personal purchases made. We made a management comment regarding purchases from Jackson Hardware using the City's open charge account.

We also noted the following related to City expenditures to Jackson Hardware:

- ▶ 39 instances in 1999 and 19 instances in 2000 where the expenditure was not properly encumbered.
- ▶ 7 instances in 1999 and 6 instances in 2000 where the expenditure did not include or had an inadequate City receiving form.
- ▶ 1 instance in 1999 and 2 instances in 2000 where there was no available documentation to support the expenditure.

Montgomery Machine

The City paid \$14,817 in 1999 and \$5,325 in 2000 to Montgomery Machine. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 43 instances where the expenditure was not properly encumbered.

Jerry's Do-It Center

The City paid \$433 in 1999 and \$48 in 2000 to Jerry's Do-It Center. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 3 instances where the expenditure was not properly encumbered and 1 instance where the expenditure did not have a City receiving form.

84 Lumber

The City paid \$5,931 in 1999 to 84 Lumber. No purchases from 84 Lumber occurred in 2000. We noted one invoice in the amount of \$1,787 that was paid by the City three times. The City received a refund for two of the payments. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 3 instances where the expenditure was not properly encumbered and 1 instance where the expenditure did not have a receiving form.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Western Auto

The City paid \$4,758 in 1999 and \$1,072 in 2000 to Western Auto. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 8 instances where the expenditure was not properly encumbered and 1 instance where the expenditure did not have a receiving form.

R & J Sales

The City paid \$2,338 in 1999 and \$4,636 in 2000 to R & J Sales. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 19 instances where the expenditure was not properly encumbered and 1 instance where the expenditure did not have a receiving form. In addition, there were 5 instances for which there was no supporting documentation to indicate the items purchased.

West Virginia Electric

The City paid \$77,374 in 1999 and \$57,217 in 2000 to West Virginia Electric. Exceptions noted involving purchases from West Virginia Electric are further described in Result No. 6. We noted 86 instances where the expenditure was not properly encumbered and 68 instances where the expenditure did not have a receiving form.

Jackson Implement

The City paid \$20,238 in 1999 and \$17,001 in 2000 to Jackson Implement. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 46 instances where the expenditure was not properly encumbered and 6 instances where the expenditure did not have a receiving form. In addition, there were 50 instances for which there was no supporting documentation to indicate the items purchased.

Brunton Contracting

The City paid \$2,868 in 2000 to Brunton Contracting. No payments were made to Brunton Contracting in 1999. The expenditures to this vendor appeared to be related to City's operations. However, we noted the following regarding the expenditures to Brunton Contracting.

There was no documentation provided by the City or Mr. Brunton to support the labor and equipment rental charges for work performed at the Richmond Dale Railroad Crossing. The City made a payment dated June 27, 2000, in the amount of \$2,490. Mr. Brunton indicated he had rented the equipment from HMI, Inc. Mr. Brunton indicated he stored his business records in the back building at Jackson Hardware and that he was unable to provide this documentation because it was destroyed in the Jackson Hardware fire in February 2001. However, as previously noted in this report, we were unable to conclude whether, or to what extent, business records were destroyed in the Jackson Hardware fire.

An invoice for top soil delivered to the Electric Department on May 19, 2000 did not specify how the \$16 per ton rate was calculated. Mr. Brunton indicated during an interview that the rate was based on the cost of the top soil and the cost of delivery. We obtained from Mr. Brunton the actual top soil invoice which indicated he paid \$7 per ton plus tax. Neither the City nor Mr. Brunton could explain the additional costs charged by Mr. Brunton or why the City did not purchase the top soil from the source directly.

We also noted 2 instances where the expenditure was not properly encumbered and 1 instance where the expenditure did not have a receiving form.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Walmart

The City paid \$12,804 in 1999 and \$11,817 in 2000 to Walmart. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 77 instances where the expenditure was not properly encumbered and 18 instances where the expenditure did not have a receiving form. The City also paid \$43 in sales tax that it should not have because it is tax-exempt.

Quality Stores

The City paid \$5,271 in 1999 and \$4,889 in 2000 to Quality Stores. The expenditures to this vendor appeared to be related to the operations of the City. However, we noted 36 instances where the expenditure was not properly encumbered and 5 instances where the expenditure did not have a receiving form.

HMI, Inc.

The City paid \$34,900 in 2000 to HMI, Inc. We noted the following regarding the payments to HMI, Inc.

A payment of \$4,500 was issued to HMI, Inc., with a description as "equipment rental." Paul Green, owner of HMI, Inc., indicated this work was for the excavation of the creek area near Central Avenue. We observed this area and it does not appear any excavation occurred. Mr. Green indicated he had time cards which reflected the hours spent and the equipment used there; however, as of the date of this report, he has not provided them for examination. We are unable to conclude whether this work was actually performed.

Two separate payments of \$14,000 on January 11, 2000, and on February 23, 2000 were made to HMI, Inc. One invoice stated it was to "Relocate Electric Poles - Holley Green Park" and the other invoice stated "Electric Pole Removal." In April 2001, we observed the electric poles discussed above had not been relocated. When we deposed Mr. Green, he indicated the poles had not been removed. However, he indicated that he paid AEP approximately \$23,000 to relocate the poles. We contacted AEP and obtained documentation indicating JP Ltd., a local construction contracting company, actually paid \$23,676 in March 2001 to have the poles relocated.

Review of the City's cancelled checks to HMI, Inc. indicate they were deposited by HMI, Inc. On November 28, 2001, the City received a check in the amount of \$4,324 from HMI, Inc. No explanation was provided as to why this check was sent to the City.

We will issue a finding repaid under audit for \$4,323 and will issue a finding for recovery against HMI, Inc., for \$23,677 for public monies illegally expended as we have no evidence supporting that HMI, Inc., performed the services for which it received payment.

A payment of \$2,400 was issued to HMI, Inc., for "Bob cat and Bush Hog Rental - Richmonddale." This expenditure is further discussed in Result No. 6, Richmonddale Brush Cutting.

2. The City made payments to Compugraf-X totaling \$2,692 in 1999 and \$7,836 in 2000. Because the descriptions on the invoices were vague, we interviewed the owner of Compugraf-X to obtain additional explanation of the goods or services provided. The review indicated the expenditures were for the purchase or refurbishing of street signs and a sign for City Hall. These expenditures were related to city operations. However, we identified 2 instances in which a receiving form was not completed and there were 11 expenditures which were not encumbered properly.
3. We identified the City had credit cards with VISA (Oak Hill Banks), BP, Sunoco, Citgo and Exxon. We noted the City did not reconcile each credit card statement to the supporting charge slips on a monthly basis to ensure the City was invoiced only for its purchases and not personal purchases of City employees. The following is a review of the expenditures charged on the City's credit cards.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

VISA Credit Card

The City made payments totaling \$35,439 in 1999 and \$40,668 in 2000 to VISA. The City's credit card policy, dated December 30, 1992 and issued by Mayor Evans, provided the following guidelines for expenditures charged to the credit card:

- ▶ The following expenditures were prohibited: alcohol, entertainment (i.e., in-room movies), and room service.
- ▶ Only expenditures for, or on behalf of, the City or by a City employee while performing job duties with prior approval were allowed.
- ▶ Valet parking is permitted in instances when it is the only practical parking available.

The policy also indicated "the city credit card shall be returned promptly upon completion of the use for which it is issued. There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge. There will be **NO EXCEPTION** to the above policy." Ron Speakman, Safety/Service Director, indicated in a written response that this policy was still in effect.

Mr. Speakman indicated during an interview that supporting documentation for the VISA charges was submitted to Lois Walburn, Purchase Order Clerk, who prepared the purchase order based on the line items identified on the credit card slip. The purchase order, receipts and those receipts without an appropriation code identified were submitted to Ron Speakman, Safety/Service Director, for review and approval. Mr. Speakman allocated the VISA charges which did not list an appropriation code. Once approved, the purchase order and related documentation were sent to the City Auditor's Office for payment.

We reviewed each of the charges on the monthly VISA statements for 1999 and 2000 for compliance with the City's policy. For those without the itemized receipt, credit card slip or supporting documentation, we contacted the vendor to obtain the supporting documentation. In some instances, the documentation was not maintained by the vendor.

We identified charges totaling \$836 which consisted of room service (\$499), tips (\$225), movies (\$98), and alcohol (\$14) which were unallowable per the policy. In addition, there were numerous instances totaling \$5,387 where only the itemized receipt (\$1,248) or the credit card receipt (\$4,139) were available for review. There were also charges totaling \$1,968 with no supporting documentation. These unallowable charges, including those personally made by Mr. Speakman, were approved for payment by Mr. Speakman. As of May 20, 2002, city employees have reimbursed the City of Jackson \$734 for unallowable charges. In April 2002, the Sheraton Hotel in Cleveland, Ohio, credited the City's Visa Card for \$21 previously disputed by the Mayor. We will issue a finding for recovery against Ron Speakman and his bonding company, jointly and severally in the amount of \$7,436.²

² Included in the \$7,436 of unallowable charges, are \$304 in charges incurred by Mr. Speakman not in accordance with the credit card policy and \$3,993 for which available documentation did not identify the individual making the charge(s).

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Of the unallowable charges noted above, we identified the following individuals were responsible for charges to the City VISA which violated the City's policy:

Employee	Amount of VISA Charges Incurred by Employee Not in Accordance with City Credit Card Policy
Carl Barnett	\$411
J.T. Evans	195
Maria Stiffler	303
Roger Fisher	361
Shalan Rhea	118
Steve Keefer	163
Ted Penix	1,207
Thomas Aldrich	<u>377</u>
	<u>\$3,135</u>

On March 20, 2002, Shalan Rhea reimbursed the City for unallowable Visa charges of \$118. On March 21, 2002, Mr. Carl Barnett reimbursed the City for unallowable Visa charges of \$411. On March 22, 2002, Steve Keefer reimbursed the City for unallowable Visa charges of \$163. On March 27, 2002, Ron Speakman reimbursed the City \$26 for unallowable Visa charges. On April 2, 2002, Mayor J.T. Evans reimbursed the City \$16 for unallowable tips charged on the City Visa.

We will issue findings for recovery against the above named individuals and their respective bonding companies for the above respected amounts not repaid, totaling \$2,406, in favor of the City for public monies illegally expended.

We also noted \$706 in charges by 17 other employees who each incurred charges of less than \$100 in violation of the City's credit card policy. The City should review these purchases, contact each employee to discuss the improper charges, and decide whether to request a return of the money.

The remaining charges on the credit card statements were related to the City's operations and in accordance with the City's policy.

A review of the credit card hotel charges indicated there were 31 hotel stays in 1999 and 34 hotel stays in 2000. We reviewed the hotel stays to verify the stay was related to City operations and noted the following:

- ▶ We were able to verify through inquiry and registration forms that 29 stays in 1999 and 31 stays in 2000 were related to City operations.
- ▶ We were unable to verify 2 hotel stays in 1999 and 2 hotel stays in 2000 due lack of available records and the employee no longer being employed by the City.
- ▶ A review of the remaining hotel stay at the Hampton Inn in 2000 indicated the officer who was to attend training did not attend and failed to cancel his hotel reservation. As a result, the City was charged for a room not used. The City should make attempts to obtain a refund from the Hampton Inn since the room was not used.

We noted the following additional weaknesses during the review of the VISA credit card expenditures:

- ▶ The City did not verify the expenditures were in accordance with the City's policy prior to remitting payment.
- ▶ There was no documentation indicating preapproval or verification of hotel charges to ensure the charge as related to City operations.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ There were 9 instances in 1999 and 10 instances in 2000 in which the VISA payment did not include a receiving form.
- ▶ There were 12 instances in 1999 and 12 instances in 2000 where the expenditure was not properly encumbered.

BP Gas Credit Card

The City paid \$1,230 in 1999 and \$674 in 2000 to BP. These expenditures appeared to be related to City operations. However, we were unable to verify which vehicles were fueled because the slips did not identify the vehicle. We noted 23 instances where the expenditure was not properly encumbered and 16 instances where some of the credit card slips listed on the monthly statement were not maintained by the City.

Sunoco Gas Credit Card

The City paid \$2,148 in 1999 and \$49,972 in 2000 to Sunoco. These expenditures appeared to be related to City operations. However, we were unable to verify which vehicles were fueled because the slips did not identify the vehicle. We noted 21 instances where the expenditure was not properly encumbered and 18 instances where some of the credit card slips listed on the monthly statement were not maintained by the City.

Citgo Gas Credit Card

The City paid \$31,010 in 1999 and \$13,611 in 2000 to Citgo. These expenditures appeared to be related to City operations. However, we were unable to verify which vehicles were fueled because the slips did not identify the vehicle. We noted 25 instances where the expenditure was not properly encumbered and 16 instances where some of the credit card slips listed on the monthly statement were not maintained by the City.

Exxon Gas Credit Card

The City paid \$2,739 in 2000 to Exxon. These expenditures appeared to be related to City operations. However, we were unable to verify which vehicles were fueled because the slips did not identify the vehicle. We noted 3 instances where the expenditure was not properly encumbered and 3 instances where some of the credit card slips listed on the monthly statement were not maintained by the City.

4. Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." In some instances, the City charged costs entirely or disproportionately to funds which did not appear to receive any benefit or a proportional benefit equal to the cost(s) incurred. The City has not developed a formal cost allocation plan and was unable to provide documentation to support the reasoning or methodology for allocating the costs as they did. We noted the following during a review of the expenditures and transfers:

Vehicles Purchases

The City paid \$19,980 to Cross and Sons to purchase a tractor in October 2000. The expense was recorded equally in the Sewer and Water funds for \$9,990. The tractor is maintained at the Street and Alley Department and is recorded as its asset. Therefore, the expense should have been recorded in the Street Fund³.

³ The official name of this fund is the Street Construction, Maintenance, and Repair Fund. Throughout this report, it is referred to simply as the Street Fund.

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The City paid \$18,745 to Taylor Motors to purchase a 2000 Jeep Cherokee in March 2000. This expense was recorded entirely in the Electric Fund. The Jeep Cherokee is driven by Melvin Davis, Street Superintendent. His salary was allocated 75% to the Street Fund and 25% to the Garbage Fund. The 2000 Jeep Cherokee is recorded as an asset of the City Garage. Based on Mr. Davis' salary allocation, this expense should have been recorded in the Street Fund for \$14,059 (75%) and the Garbage Fund for \$4,686 (25%).

The City paid \$12,708 to Coll Auto Sales in July 1999 for the purchase of a 1999 Jeep Grand Cherokee. The expense was recorded as \$4,236 in each of the following funds: the Water Fund, the Sewer Improvement Fund, and the Electric Improvement Fund. The Jeep was purchased for the use of the Safety/Service Director while conducting City business. The Safety/Service Director's salary is allocated equally between the General, Water, Sewer, Electric, and Garbage Funds. Therefore, the cost of the Jeep should be allocated \$2,542 to the General Fund, \$2,542 to the Water Fund, \$2,542 to the Sewer Fund, \$2,542 to the Garbage Fund, and \$2,542 to the Electric Fund.

The City paid \$13,010 to Mike Pruitt Ford, Inc., in April 1999, to purchase a 1999 Ford F-150 Pickup. The expense was recorded entirely in the Electric Fund. The truck purchased was listed as an asset of the Water Department and is used by a Water Department maintenance employee whose salary is charged to the Water Fund. This expense should have been recorded in the Water Fund in the amount of \$13,010.

In March 2000, the city purchased an International Dump Truck from Navistar for \$47,531. The City charged the cost of the dump truck entirely to the Electric Improvement Fund. The truck was listed as a Street Department asset and George Bapst, City mechanic, indicated the truck was usually used for Street and Alley Department activities. Therefore, the cost of the truck should have been recorded as an expense of the Street Fund.

We will issue findings for adjustment against the Street Fund for \$81,570, the Garbage Fund for \$7,227, the Water Fund for \$15,552, the Sewer Fund for \$2,542, the Electric Fund for \$2,542, and the General Fund for \$2,542 in favor of the Water Fund for \$14,226, the Sewer Fund for \$9,990, the Electric Fund for \$31,755, the Sewer Improvement Fund for \$4,236, and the Electric Improvement Fund for \$51,767.

Attorney Fees

The City contracted with John "Jack" Detty to provide legal services as City Law Director. During the Period, Mr. Detty submitted invoices on a monthly basis to the City. The invoices provided descriptions of the work performed but did not describe to which fund the work was related. The City paid Mr. Detty \$42,264 in 1999 and \$43,641 in 2000. The City recorded the expenses in the following funds: General Fund (\$27,078), Water Fund (\$18,543), Sewer Fund (\$20,449), Garbage Fund (\$1,414) and Electric Fund (\$18,421).

We provided the invoices to Mr. Detty who elaborated for us on the work performed relating to actions taken in the Municipal Court on behalf of the City or the issuance of bad check affidavits or subpoenas. Mr. Detty identified the funds for which some of the services were performed. For the remaining services he was unable to identify the relationship to a specific City fund. These services were general in nature and did not indicate a relationship to the Water, Sewer, Garbage or Electric funds. Therefore, those services should have been recorded as an expense in the General Fund.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The following table indicates a summary of the allocation of expenses based on Mr. Detty's response:

Fund	Total for 1999 and 2000
General	\$81,127
Water	2,088
Sewer	652
Garbage	275
Electric	310
Street	123
Flood Mitigation	945
Railroad	385
	<u>\$85,905</u>

We will issue a finding for adjustment against the General Fund for \$81,127, the Water Fund for \$2,088, the Sewer Fund for \$652, the Garbage Fund for \$275, the Electric Fund for \$310, the Street Fund for \$123, the Flood Mitigation Fund for \$945, and the Railroad Fund for \$385 in favor of the General Fund for \$27,078, the Water Fund for \$18,543, the Sewer Fund for \$20,449, the Garbage Fund for \$1,414, and the Electric Fund for \$18,421.

Bureau of Workers Compensation Premiums

Each year, the City receives an invoice for the prior year's Bureau of Workers Compensation premiums. The workers' compensation premiums were calculated based upon the salaries paid to City employees. The City paid premiums totaling \$56,610 in 1999 and \$29,230 in 2000 from the following funds:

Table 1

Fund Charged	Amount of Expense Recorded FY 1999	Amount of Expense Recorded FY 2000
General Fund	\$19,200	\$10,346
Cemetery Fund	600	660
Street Fund	500	500
DARE	232	
COPS FAST Grant	500	1,635
Fire Tax Levy Fund	500	296
Water	9,218	4,887
Sewer	11,266	4,775
Garbage	768	1,500
Electric	13,826	4,630
	<u>\$56,610</u>	<u>\$29,229</u>

We identified other funds with payroll expenditures which also incur Bureau of Workers Compensation premiums. The following table indicates the premium to be allocated to the enterprise funds, based on the prorated portion of the City's total payroll, with the remainder of the premium being allocated to the General Fund:

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Table 2

Fund Charged	Amount of Expense to be Recorded to the Fund for FY 1999	Amount of Expense to Be Recorded to the Fund for FY 2000
General Fund	\$25,262	\$13,436
Recreation	156	79
Water	9,557	4,687
Sewer	9,198	4,577
Garbage	3,652	1,845
Electric	8,376	4,428
Swimming Pool	409	177
	\$56,610	\$29,229

We will issue a finding for adjustment against the funds and in the amounts identified in Table 2 in favor of the funds and for the amount listed in Table 1.

Railroad Related Expenses

The City paid \$1,500 to the Ohio Rail Development Commission in November 2000, as a loan commitment fee for a new railroad spur. The expense was recorded entirely in the Electric Fund. The loan to construct the railroad spur was unrelated to the operations of the Electrical Department. The expense should have been recorded in the Railroad Fund.

In August 1999 the City paid \$4,000 to GH Smith & Associates to conduct a survey for the purpose of locating the railroad right of way. The expense was recorded entirely in the Electric Fund. This expense should have been recorded in the Railroad Fund.

We will issue findings for adjustment against the Railroad Fund for \$5,500 in favor of the Electric Fund.

The City paid \$1,600 from the Railroad Fund to Cary Brown, Jr., to purchase an easement across his property to gain access to the railroad. The payment occurred in September 2000, however, the easement was not signed until October 2001. The City should refrain from remitting payment for services prior to completing the transaction.

Railroad Maintenance Agreement

In March 1987, the City entered into a Railroad Lease Agreement with the Indiana & Ohio Eastern Railroad which provided that the City would acquire certain rail properties and lease the properties to the Indiana & Ohio Eastern Railroad to operate a freight service using the Short Line properties. Section 7 of the agreement stated:

“The Railroad shall at its expense repair and maintain the Short Line Properties south of Hamden to a condition known as “a solid FRA Class I Standard.” The Railroad shall also at its expense repair and maintain the Short Line Properties at Hamden and points west to a condition known as “a solid FRA Class II Standard.” The Railroad shall pay the cost of inspections performed at least annually to establish the state of maintenance of these Properties.”

On December 14, 1993, the Great Miami & Scioto Railway agreed to assume operation of the City’s railroad from the Indiana & Ohio Eastern Railroad and agreed to “all other terms and conditions of the original Short Line Railroad Lease Agreement” which “are reaffirmed and shall continue in full force and effect.”

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In January 1994, the City petitioned the Federal Railroad Administration (FRA) to have the FRA recognize the Great Miami & Scioto Railway Company as the party responsible for track maintenance. No response was received from FRA; however, according to Federal Regulations, no response was required to be sent back to the City if the FRA agreed to the petition.

In September 2000, the City issued two checks totaling \$10,998 to the Burke-Parsons-Bowlby Corp. at the request of the Great Miami & Scioto Railway Company, to pay for the purchase of railroad ties. We spoke with Fred Stout, owner of the Great Miami & Scioto Railway Company, who indicated he thought the Aluchem Surcharges⁴ collected by the City could be used for maintenance.

The agreement between the City and the Great Miami & Scioto Railway Company indicated it is the railway company's responsibility to pay for maintenance which includes the purchase of railroad ties. In addition, neither the City nor Great Miami & Scioto Railway Company could provide documentation to support where the purchased rail road ties were used.

We will issue a finding for recovery of \$10,998 against the Great Miami & Scioto Railway Company for public monies illegally expended in favor of the City's Railroad Fund.

Computer Equipment and Computer Systems

Computer Equipment

In 2000, the City purchased a 16" monitor and a Gateway computer for the Safety/Service Director's Office for \$1,894 which was recorded entirely as an expense in the Electric Fund. The City's Safety/Service Director is under the supervision of the Mayor which is a General Fund Department.

The City recorded this asset, located at City Hall, as an asset of the Mayor/Service Director's Department. The salary of the Safety/Service Director is allocated equally to the General, Electric, Water, Sewer and Garbage funds. Since the expense does not benefit solely the Electric Fund 100%, the expense should have been recorded equally as an expense of the General, Water, Sewer, Electric and Garbage Funds.

We will issue findings for adjustment against the General Fund for \$379, the Water Fund for \$379, the Sewer Fund for \$378, the Garbage Fund for \$379, and the Electric Fund for \$379 in favor of the Electric Fund for \$1,894.

Computer System Upgrade

In 2000, the City Auditor's, Utilities, and Mayor's Offices upgraded their computer system which included a new server, monitors and software. The entire cost of the upgrade, \$34,481, was charged to the utility funds. The City Auditor's Office allocated the asset to the departments who benefitted from the upgrade based on the number of users with the remainder being allocated to the General Fund.

Following the City Auditor's allocation, we determined the departments which received the direct benefit of the software upgrade totaling \$18,088 were as follows: Auditor's Office, \$6,866 for programs used by its personnel; Mayor's Office, \$3,018 for programs used by its personnel; and the Utilities Office, \$8,204 for programs used by its personnel.

⁴The City was unable to provide an explanation of these charges or the allowable uses for these monies. Per Lou Janazzo, Chief Planner, Ohio Rail Development Commission, the surcharge was charged on each car entering and leaving the Aluchem plant for maintaining the rail spur to the Aluchem plant.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition, various hardware was purchased to complete the upgrade of the server which affected all of the City's departments. The hardware upgrade included the purchase of 25 editions of Lotus Notes which was installed on only 8 computers. Of these 8 computers, 5 were in the Utilities Office. Therefore, we allocated the cost of the 5 licenses to the Utilities Office or \$380 (5 licenses at \$76 each) and the remainder (\$1,520 plus the cost of the hardware upgrade of \$14,493) to the General Fund for the remaining departments within the City receiving the benefit.

We will issue a finding for adjustment against the General Fund for \$25,897, and the Water, Sewer, Electric, and Garbage Funds for \$2,146 $((\$8,204+380)/4)$ each in favor of the Water Fund for \$12,456, the Sewer Fund for \$12,456, and the Electric Fund for \$9,569.

Geographical Information System (GIS)⁵

Annual Payments for the GIS System

The City remitted a check in February 1999 and another in February 2000 to Jackson County, each in the amount of \$4,151. The check written in 1999 was recorded entirely as an expense in the Electric Fund and the check written in 2000 was recorded as an expense of \$900 in the General Fund with the remainder equally divided between the Water, Sewer, and Electric Funds in the amount of \$1,084.

Per discussion with Kristopher Irwin, a representative in the Jackson County GIS Department, the utilities for the City have not been included in the GIS system as of May 2001. The GIS System included only the topographical layout of the land within the City and the roads within the City. The County requested the City provide the utility line information to allow inclusion in the maps in the GIS System, however, the City had not provided this information as of May 2001. These expenses should have been recorded in the General Fund.

We will issue a finding for adjustment against the General Fund for \$7,403 in favor of the Electric Fund for \$5,235 and the Water and Sewer Funds for \$1,084 each.

Payments to Kristopher Irwin

In 2000, the City made payments totaling \$6,750 to Kristopher Irwin for GIS consulting. The description on the invoices indicated it was for GIS mapping and avenue programming. We spoke with Mr. Irwin who indicated no work had been completed for the utilities as of May 2001. Only the streets and topographical information had been entered into the system. We verified in a search on the GIS system that this is currently the only type of information available for use. The City charged \$5,000 of the expense to the Water Fund and the remaining \$1,750 to the School Based Partnership Grant⁶. The expenditures were not related to Water Department operations or the School Based Partnership Grant and should have been recorded as an expense in the General Fund. In Issue No. 3, we issued a federal questioned cost for the \$1,750 recorded as an expenditure of grant funds.

We will issue a finding for adjustment against the General Fund for \$6,750 in favor of the Water Fund for \$5,000 and the 1999 School Based Partnership Grant Fund for \$1,750.

⁵ The Geographical Information System is a county-wide computer mapping system being developed by Jackson County.

⁶ The School Based Partnership grant was awarded to the City of Jackson by the U.S. Department of Justice to map the crimes committed within the school buildings and to provide education to the students to reduce the incidents of bullying in the schools.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Payments for Cleaning Services

In 1999 and 2000, the City paid Dave's Cleaning to clean the Council Chambers, the Utility Offices, and the Police Department. The City made payments totaling \$49,770 in 1999 and 2000. Each invoice detailed the charge to clean each of the departments. The cleaning of the Council Chambers were charged 4 times to the Electric Fund for a total of \$1,000, 3 times to the Water Fund for a total of \$750 and one time to the Sewer Fund for \$250, for a total of \$2,000 that should have been recorded as an expense of the General Fund. We will issue a finding for adjustment against the General Fund for \$2,000 and in favor of the Electric Fund for \$1,000, the Water Fund for \$750, and the Sewer Fund for \$250.

We also identified the following instances where the charges for cleaning the Utilities Office were charged to the following funds instead of equally allocated to the Water, Sewer, Electric and Garbage Funds responsible for Utility Office activities:

Fund Charged	Total Amount Charged for 1999 and 2000
General Fund	\$1,530
Water Fund	2,890
Sewer Fund	1,407
Electric Fund	<u>6,358</u>
	<u>\$12,185</u>

We will issue a finding for adjustment against the Water Fund for \$3,046 (\$12,185/4), the Sewer Fund for \$3,047, the Garbage Fund for \$3,046, and the Electric Fund for \$3,047 in favor of the General Fund for \$1,530, the Electric Fund for \$6,358, the Water Fund for \$2,890, and the Sewer Fund for \$1,407.

Community Development Block Grant (CDBG) - Downtown Revitalization

Office of Management and Budget Circular No. A-87 entitled *Cost Principles for State, Local and Indian Tribal Governments* provided guidelines for identifying costs for Federal grants. Section C (1) (j) of this Circular provides that for a cost to be allowable, the expenditure must be adequately documented.

The City was awarded two grants through the Downtown Revitalization Competitive program, a subpart of the Community Development Block Grant during 1996 and 1998. Attachment A of the 1996 grant agreement described the project as the rehabilitation of 17 building facades, the interiors of 4 buildings and the construction of 1,200 linear feet of sidewalks in the downtown target area. Attachment A of the 1998 grant agreement indicated it was for the rehabilitation of the exterior of 24 buildings and 1 interior remodeling in the downtown target area.

The following expenditures were deemed as federal questioned costs because of a lack of supporting documentation and/or because the expenditures were not in accordance with the grant agreement and/or the application prepared by the property owner for work to be performed:

233 Broadway Street

The City paid \$2,786 in November 2000, to Harold Howe. A review of the supporting documentation indicated the payment was for half of the expense for an awning (\$1,789) and Heating, Ventilation and Air Conditioning (HVAC) system (\$3,785) for a building located at 233 Broadway Street. Upon further review of the documentation, it appeared the support for the awning was an estimate. We observed the building at 233 Broadway Street did not have an awning on its front as of June 2001. We contacted Artistic Signs who indicated in a letter that the documentation provided by the City was indeed an estimate provided to Mr. Howe. However, the work was never performed and Artistic Signs did not receive payment for this awning.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Mr. Howe indicated the awning has not been installed as of October 3, 2001, but will be installed in the near future. The City paid Mr. Howe for a cost he did not incur. In a response dated May 8, 2002, Mr. Howe provided documentation indicating the awning had been installed. We will consider this a finding repaid under audit of \$895.

The application completed by Mr. Howe for the 1998 Downtown Revitalization Grant funding included installing an awning and windows. The reimbursement for the HVAC system of \$1,891 was not included in the 1998 application. Mr. Howe indicated he applied for the HVAC work as part of his application for the 1996 Downtown Revitalization Grant. The 1996 grant was closed by the City in June of 1998. Therefore, the work performed in September 1998 of which 50% of the cost was reimbursed to Mr. Howe in 2000 was an unallowable expenditure for the 1998 Downtown Revitalization grant in which the grant period was January 1, 1999 through December 31, 2000.

We will issue a federal questioned cost totaling of \$1,891 for the 1998 CDBG Revitalization Grant.

227 Main Street

Alan Stockmeister completed a Building Conditions Survey and Building Owner Financial Commitment worksheet for a building located at 227 Main Street which stated the monies would be used to tuckpoint the entire building and install new awnings on the building. The City paid \$5,089 in November 2000, to Foremost Management for interior painting, renovation of the existing building into office space, heating and air conditioning checks, and other repairs performed at this address. The actual work performed was unrelated to the approved work.

We will issue federal questioned costs of \$5,089 for unallowable expenses charged to the CDBG Revitalization Grant.

235 Water Street

Alan Stockmeister completed a Building Conditions Survey and Building Owner Financial Commitment worksheet for Bernadine Limited Partnership located at 235 Water Street which stated the monies would be used for building facade repairs. The City paid \$64,700 in November 2000 to Foremost Management for the work performed at this address. We reviewed the invoices and determined the only invoice for work performed to the facade of the building was for the installation of 3 awnings by Artistic Signs in the amount of \$4,633. The remaining expenses were related to the renovation of the building interior which was not included in the application. Therefore, the City should have reimbursed Foremost Management Inc., only \$2,316.

We will issue federal questioned costs of \$62,384 for unallowable and undocumented expenses charged to the CDBG Revitalization Grant.

200 Broadway Street

Alan Stockmeister completed a Building Conditions Survey and Building Owner Financial Commitment worksheet for a building located at 200 Broadway which stated the monies would be used to replace the roof, tuckpoint, install awnings on the building and paint. The City paid \$6,590 in November 2000 to Foremost Management for the work performed at this address. A review of the invoices supporting the payment indicated the City paid for miscellaneous repairs with a notation that it was for doors and hardware (\$1,964), an electrical upgrade (\$2,325) and an air conditioning check and repair (\$302).

We will issue federal questioned costs of \$4,951 for unallowable expenses charged to the CDBG Revitalization Grant.

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243 E. Main Street

Jackson Grandview Builders Inc., completed a Building Conditions Survey and Building Owner Financial Commitment worksheet for a building located at 243 East Main Street which stated the monies would be used for roof repair and partial brick foundation work. The City paid \$2,340 in November 2000 to Foremost Management for the work performed at this address. Neither the City nor Foremost Management were able to provide documentation to support the costs incurred by Foremost Management.

We will issue federal questioned costs of \$2,340 for unsupported expenses charged to the CDBG Revitalization Grant.

Community Development Block Grant (CDBG) - Discretionary Grant

In May 2000, the City paid \$10,000 to the Jackson County Economic Development Board for work performed on the Community Development Block Grant Discretionary Grant. A review of the invoice indicated the payment was for an Environmental Review, project management fees, and project file administration for the Holzer Clinic Water Tank Project.

We requested additional documentation from Sherri Lanier, Board Director, to support the cost of the environmental review and the time Ms. Lanier spent on the project. We received a letter dated July 18, 2001 from Ms. Lanier describing the work performed; however, she did not provide time sheets or other documentation supporting the expenses.

We will issue federal questioned costs of \$10,000 for the CDBG Discretionary Grant.

Payments to Jackson Economic Development Board⁷

Annual Contributions

Each year the Chairman and the Director of the Jackson County Economic Development Board send a request to the City for a contribution of \$6,000. The request dated November 4, 1999 for the 1999-2000 contribution was sent to Mayor Evans. The letter listed the requesters as Ron Speakman as Chairman and Sherri Lanier as Director. The request was provided by the Mayor to Mr. Speakman who authorized the payment of the contribution to the Board. We will forward this information to the Ohio Ethics Commission for its review.

In 1999 and 2000, the City issued three separate checks of \$6,000 to the Jackson County Economic Development Board for contributions for 1999, 2000 and 2001. All three checks were recorded entirely as an expense of the Electric Fund. Ms. Sherri Lanier, Director, indicated these contributions were for assistance in writing grant applications, grant administration and general daily duties. The City Auditor's Office indicated the City contributed \$6,000 each year to the Jackson County Economic Development Board for assistance with the Community Development Block Grant Downtown Revitalization Grant, the Water Tower Rehabilitation Project for the Community Development Block Grant Discretionary Program Project, and the construction of a "spec building" and railroad spur in the City Industrial Park.

While the expense could be deemed to benefit the Electric Fund, it also benefits other funds of the City. Since the City was unable to provide documentation to support a reasonable allocation of the expense and the expense benefits more than solely the Electric Fund, the expense should be recorded in the General Fund.

We will issue a finding for adjustment against the General Fund for \$18,000 in favor of the Electric Fund.

⁷ The Jackson Economic Development Board is a separate not-for-profit organization.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition, we noted the City did not obtain or receive an accounting from the Jackson County Economic Development Board of how the monies contributed were expended to verify the contributions were expended to benefit the City. We will make a management comment regarding this matter.

Payment Made by City Tourism Board

The City Tourism Board consists of the Mayor, Tom Evans; the Safety/Service Director, Ron Speakman; and a Council member, Ed Hughes.

In 1999 and 2000, the City Tourism Board received a request for funding from the Pig Iron Days Committee, a not-for-profit organization, for financial assistance with its annual festival. The Contribution Request Form was completed by Robin Poetker (Bissell), a City employee. We reviewed the Articles of Incorporation of the Pig Iron Days Committee and determined the Committee was incorporated by the Mayor, Tom Evans; Safety/Service Director, Ron Speakman; Robin Bissell, Executive Assistant; and Eddie Henderson, Janitor. There is a potential conflict of interest as the Mayor and Safety/Service Director approved the contribution of monies to an agency of which they are involved in making decisions of how the monies are to be expended. This information will be forwarded to the Ohio Ethics Commission for its review.

We contacted Ms. Bissell to obtain documentation to verify the monies contributed were spent for expenses related to the festival. A review of the documentation, returned in a City envelope, indicated the monies were spent on the festival. However, we noted several instances where the invoices were issued to either the City or listed the billing address as the City Hall. It appears that the City and its offices were used to benefit the Pig Iron Days Committee. This issue will be forwarded to the Ohio Ethics Commission for its review.

We identified three checks remitted to agencies where the Contribution Request Form was completed, and City contributions made, several months prior to any expenses being incurred for the related festival. The funds should be disbursed at the time the agency expends the monies to ensure the monies are used for Tourism related purposes. We will make a management comment regarding this matter.

The Contribution Request Forms do not contain a place for the Tourism Board to document its approval or disapproval of the request. The forms should contain a space for the approval of the Board and signatures of the Board members approving the expenditure. We will make a management comment regarding this matter.

Payment Made for Roof Repair on Sundry Building

In 1996, the City purchased the former Sundry Building to house the Police Department, Utility Department, and Council Chambers. City Council approved Ordinance 88-99 authorizing Insulation Unlimited to renovate the "Jackson Police Station Roof." Upon completion of the project, Insulation Unlimited was paid \$38,700.

The City allocated the cost of the roof renovation in the amounts of \$10,000 to the Water Fund, \$10,000 to the Sewer Fund, \$1,500 to the Garbage Fund, and \$17,200 to the Electric Fund. The City recorded the asset in different funds based on the square footage⁸ of each department. Therefore, the expense should have been allocated to the funds of the departments residing in the building based on each department's square footage.

⁸ The allocation of the asset by the City indicated that the Utilities Office occupied only 18% of the building.

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The following table indicates the amount of expense each fund should have been allocated:

Department	Amount of Square Footage	Cost Allocated to the Department	Funds to Be Charged
Police Department	6,900	\$25,542	General Fund
Council Chambers	1,700	6,192	General Fund
			Electric (\$1,741), Water (\$1,742), Garbage (\$1,741), and Sewer for (\$1,742)
Utilities Department	<u>1,900</u>	<u>6,966</u>	
	<u>10,500</u>	<u>\$38,700</u>	

We will issue a finding for adjustment against the General Fund for \$31,734, the Water Fund for \$1,742, the Sewer Fund for \$1,741, the Garbage Fund for \$1,742, and the Electric Fund for \$1,741 in favor of the Water Fund for \$10,000, the Sewer Fund for \$10,000, the Garbage Fund for \$1,500, and the Electric Fund for \$17,200.

Payments for City Paving Projects

City Streets

In fiscal year 2000, the City hired Shelly and Sands Inc. to pave streets identified by City Council based on the normal wear and tear on the roads. During a review of the payments and the streets paved, we determined the City recorded some of the expense in the Water, Sewer and Cemetery funds. The invoices did not reflect paving was performed as a result of work performed on water or sewer lines or within the cemetery. We noted the following funds incorrectly recorded expenses in the following amounts based on the roads/parking lots identified in the minutes and a review of the City map: Water Fund, \$10,000; Sewer Fund, \$28,196 and the Cemetery Tax Levy Fund, \$7,000.

We will issue a finding for adjustment against the Street fund for \$45,196 and in favor of the Water Fund for \$10,000, the Cemetery Tax Levy Fund for \$7,000, and the Sewer Fund for \$28,196.

Paving of Jisco Lake Access Road

The City paid \$7,500 to Stockmeister Enterprises in January 1999, for paving, ditching, and performing berm work on an access road to Jisco Lake. Alan Stockmeister indicated he approached Ron Speakman, Safety/Service Director, and indicated he wanted to pave and widen the road to have access to his cabin. Upon discussions, Mr. Speakman and Mr. Stockmeister negotiated an amount the City would pay with the rest of the cost being paid by Mr. Stockmeister. This verbal agreement was confirmed by Mr. Speakman. The documentation provided by Mr. Stockmeister identified the cost of paving the road from the State Route to Mr. Stockmeister's cabin on Jisco Lake as being \$54,500.

The portion paid by the City was \$7,500. Mr. Speakman indicated this agreement was not presented to Council for its review nor is there documentation indicating the agreement was approved by the Board of Control.⁹ Prior to the Safety/Service Director entering into agreements, the agreement should be reviewed by the City's legal counsel and approved by either the Board of Control or City Council depending upon the dollar amount.

⁹ See footnote No. 26 and the noncompliance citation in Issue No. 2.

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Payments to Treco, Inc.

Treco, Inc., invoices were submitted to the City for work performed by Mr. Story Cool as building inspector and/or grant administrator for the Flood Mitigation grant. In addition, we noted invoices submitted by Leighty & Snyder, Community Development Block Grant Administrators, included hours of services performed by Mr. Cool relating to the Community Development Block Grant. Mr. Cool was responsible for the day to day management of the City's Community Housing Improvement Program (CHIP). Mr. Cool maintains an office at City Hall for this service, for managing the flood mitigation project and for issuing City building permits. Each day Mr. Cool documented on a time sheet the number of hours spent on each of his responsibilities. The time sheets were presented to his employer, Treco, Inc., who invoiced either the City or Leighty & Snyder for the services provided.

A review of the invoices included with Leighty & Snyder's invoice, indicated Mr. Cool worked 256 hours for the CHIP program in April 2001. Based on his other responsibilities to the City, it was physically impossible to work 256 hours in one month.

We contacted both Fritz Leighty, President of Leighty & Snyder, and Mr. Cool who explained these hours were worked in the previous year and the billing was delayed. Fritz Leighty provided a letter submitted by Mr. Cool to him which indicated he would delay the invoicing of his hours in the Fall of 2000 until the Spring of 2001 for various reasons. Mr. Leighty indicated that Mr. Cool delayed the invoicing of his hours to maintain his income earned for the year below the IRS threshold which would have resulted in some of his pension earnings becoming taxable. This resulted in the City being invoiced for services performed in another fiscal year which may or may have not been budgeted in the current fiscal year.

The City should ensure it is invoiced at the time the services are performed instead of at a later date to ensure the monies intended to pay for those services are used.

Payments to Eddie Henderson¹⁰

Trash Collection

In addition to his duties as City janitor, Mr. Henderson was paid for collecting trash at Hammertown Lake, Eddie Jones Park and the City baseball fields for the periods April - October 1999 and April - November 2000. Mr. Henderson received a stipend of \$500 a month which was included on a Form 1099 each year. No written contract existed documenting his required duties. We also identified instances of no supervisory approval of invoices and prepayment of the services. Per discussion with Amy Genter, Internal Revenue Service Federal, State, and Local Government Specialist, the monthly stipend should have been included on Mr. Henderson's W-2 as the duties are similar to the duties performed for the City as an employee. The City should amend Mr. Henderson's 1999 and 2000 Form W-2's. This issue will be forwarded to the Internal Revenue Service for its review.

Mileage Reimbursement

Eddie Henderson, City janitor, received 3 checks for mileage reimbursement totaling \$303 during 1999 and 2000. Of the \$303, \$184 was from the General Fund and \$119 was from the Cemetery Fund.

¹⁰Mr. Henderson was employed by the City as a janitor.

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In his deposition, Mr. Henderson indicated the trips in November 1999 were for the purchase of items at either Office Max or HH Gregg. We were unable to verify through a review of other documentation and expenditures whether these trips occurred. Mr. Henderson also stated he served as Cemetery Sexton when Mr. Phil Denny, the regular Sexton, was on vacation. The City's Policy and Procedure Manual indicates "When no City-owned automobiles or trucks are available, privately-owned automobiles may be used by employees while engaged in the business of the City but with the prior approval of the Service/Safety Director or the Mayor. There was no evidence of prior approval and Mr. Henderson used his personal truck instead of the Cemetery's truck to perform the Sexton duties. In addition, none of these reimbursements were supported by mileage logs indicating where Mr. Henderson went, the date of the travel, mileage driven, and the purpose of each trip. Therefore, we were unable to determine whether the travel was related to the operations of the City.

Miscellaneous Expenditures to Mr. Henderson

In addition to his compensation as City Janitor, Mr. Henderson was paid \$2,350 to remove and replace the City of Jackson's Museum roof (\$2,250) and remove an antenna (\$100) at the museum. Conversations with Mr. Henderson indicated he hired various people to assist him, however, this was not documented on his invoice. The City should obtain detailed documentation supporting the goods or services received prior to issuing payment.

Mr. Henderson was paid \$200 from the Flood Mitigation fund to act as a motivator to assist a resident in moving from her home purchased by the City. We were unable to identify whether this was allowable per the grant agreement due to the City commingled two federal grants and one state grant into one fund. The City should maintain each federal grant in a separate fund to ensure grant monies are used for allowable expenditures.

Payments to the Safety/Service Director's Grandchildren

In 1999 and 2000, the City paid the Safety/Service Director's grandson \$3,700 to collect trash and perform general cleaning services at 2 of the City's parks. The City also paid the Safety/Service Director's granddaughter \$450 to collect trash at one of the City's parks in 1999. There was no written contract stating these individuals' required duties, the rate of compensation or the documentation required to be submitted for payment. Should the City decide to contract with independent contractors for this service, the City should memorialize the duties, compensation and documentation requirements in writing.

Many of the invoices for the Safety/Service Director's grandson were either not approved by a supervisor or were approved by the Safety/Service Director, Ron Speakman. All of the invoices submitted by his granddaughter were approved by Mr. Speakman. There is a perception that the hiring and approval of payments by Mr. Speakman for his grandchildren could be a conflict of interest. This matter will be forwarded to the Ohio Ethics Commission for its review.

We also identified 5 instances where payments to the Safety/Service Director's granddaughter were issued prior to receiving an invoice. The City should not pay for services until the services are rendered.

Payments for Water Tower Painting

In April of 1993, the City contracted with L & H Water & Storage Tank (L&H) to repaint the City water tank. A letter dated April 29, 1993, from L & H to the City, requested the City agree to forward payment to Commercial Savings Bank (the Bank) in Upper Sandusky, Ohio on behalf of L & H for the bank to extend credit to L&H. This assignment was made by L & H to the Bank as security for a loan. The agreement was signed by Mayor Evans on May 12, 1993.

In May of 1994, the City issued 3 checks totaling \$36,049 payable to the order of L & H Water & Storage Tank and its subcontractors rather than L&H and the Bank as agreed to in the assignment.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The City Auditor's Office indicated one of the checks previously issued was canceled and the following checks were issued in its place in June 1994:

Check No	Payee	Check Amount
20361	L & H and E. F. Lephart ¹¹	\$14,748
20360	L & H and City of Jackson Electrical	1,814
20362	L & H and Jackson Implement	1,787
20358	L & H and Detroit Tarpaulin	4,700
		<u>\$23,049</u>

None of the payments for work performed were forwarded to the Bank as required by the assignment. The obligation still remained unpaid when L&H's parent company filed for bankruptcy. The Bank filed a complaint against the City in 1996 based on the acknowledgment of assignment the Mayor had signed. On September 12, 2000 after numerous hearings, the appeals court reversed the trial court's decision indicating the case was remanded to the trail court with a judgement in favor of the Bank. On November 21, 2000, the City issued a check to Commercial Savings Bank in the amount of \$35,174 in settlement of the complaint.

Based on the above information, the City made payments for the painting totaling \$35,174 twice, once to L & H and it subcontractors, and once to Commercial Savings Bank.

We will issue findings for recovery of \$26,873 against L & H, of \$1,787 against Jackson Implement, and of \$4,700 against Detroit Tarpaulin in favor of the City's Water Fund for public monies illegally expended. In addition, we are issuing a finding for adjustment of \$1,814 against the Electric Fund in favor of the Water Fund.

Debt Payments

Sundry Building and City Garage Debt Payments

On June 25, 1996, the City issued a \$700,000 renewable Bond Anticipation Note to provide funds to purchase and renovate the Sundry Building and to purchase land and build a City Garage. The expenses were allocated to the following projects:

Building	Amount of Expense	% of Issued Note
City Garage	\$411,431	59%
Sundry Building	286,328	41%
	<u>\$697,759</u>	

In 1999 and 2000, the City paid a total of \$92,672 and \$88,321 in debt payments, respectively. The repayment of the bond anticipation note was equally allocated between the General, Water, Sewer, Electric and Garbage Funds in 1999 and 2000.

The City Garage housed the Street and Alley, Garbage, and Mechanic Departments. These departments were funded by the Street, Garbage and General Funds, respectively. Of the debt payments in 1999 and 2000, the amount¹² related to the construction was \$54,639 and \$52,074, respectively.

¹¹ E. F. Lephart is the owner and general manager of L & H.

¹²This was calculated by multiplying the year's debt payment times the percentage of the debt expense related to the City Garage.

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As there is no documentation available to support how much of the City Garage was occupied by the 3 departments, we will allocate the expense equally among the 3 departments. The following funds should have been charged for the debt payment expense:

Fund	1999	2000
Debt Service Fund (Street and Alley)	\$18,213	\$17,358
Debt Service Fund (Mechanics)	18,213	17,358
Garbage Fund	<u>18,213</u>	<u>17,358</u>
	<u>\$54,639</u>	<u>\$52,074</u>

The Sundry Building was purchased and renovated by the City for \$286,328. The building housed the Utilities Office, Police Department and Council Chambers. The City Auditor's Office determined the Utilities Department utilized 1,900 square feet of the available 10,500 sq. ft or 18% of the Sundry Building. The remaining 82% of the Sundry Building housed the Police Department and Council Chambers which were both funded by the General Fund. The debt payments should have been allocated to those funds utilizing the building square footage. The Utilities Office is equally supported by the Water, Sewer, Electric and Garbage Funds.

Therefore, the following funds should have been charged for the debt payments¹³ totaling \$38,033 and \$36,247 for 1999 and 2000, respectively:

Fund	1999	2000
Debt Service Fund (Police and Council)	\$31,187	\$29,720
Water, Sewer, Garbage and Electric Funds Equally	1,711	1,632

We will issue a finding for adjustment against the Debt Service Fund for \$132,049, the Water, Sewer and Electric Funds for \$3,343 each, and the Garbage Fund for \$38,912 in favor of the General, Electric, Water, Sewer, and Garbage Funds for \$36,198 each.

Ohio Water Development Authority Loan

In 1992, the City was the subject of an assessment review performed by the Ohio Environmental Protection Agency (EPA). The EPA issued a report indicating improvements needed to be made to reduce the amount of overflow when it rained. Many of these items were addressed with City funds or other state/federal grants.

At the same time, Luigino's¹⁴ began a major expansion which would affect the amount of sewage requiring treatment. Due to the needs of the new industry, the wastewater treatment plant was upgraded to address future needs. To pay for the upgrade, the City obtained a loan from the Ohio Water Development Authority (OWDA) and proposed assessments on the property owners benefitting from the upgrade to repay the loan.

¹³ This was calculated by multiplying the year's debt payment times the percentage of the debt expense related to the Sundry Building.

¹⁴ Luigino's is a business located within the City which assembles frozen meals.

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The Safety/Service Director, Ron Speakman, and Foremost Management President, Alan Stockmeister¹⁵, entered into an agreement for the assessments to repay the OWDA loan for the wastewater treatment plant upgrade. The agreement was contained on an invoice from the City to Foremost Management dated January 5, 1995, which indicated Foremost Management was to pay installments of \$77,000 by February 1 and August 1 of each year for a period of ten years. Mr. Speakman and Mr. Stockmeister both signed the invoice. Per Ron Speakman on January 8, 2002, this agreement was not formally approved by City Council.

The monies received from this agreement were recorded as revenues in the Sewer Fund and later transferred to the Utility Debt Service Fund for payment. However, we were unable to verify these funds were utilized to remit payment as the City commingles all of the monies for utility debt payments into one fund.

A review of the semiannual payments indicated Luigino's, rather than Foremost Management, paid monies to the City for the semiannual installments. Alan Stockmeister indicated that Luigino's made the payments to the City as part of an agreement between Luigino's and Foremost Management to lease the building from Foremost Management. In instances where Luigino's did not have the available cash flow, Foremost Management made the payment to the City and then invoiced Luigino's for the payment. We verified the payments for 2000 were made by Luigino's.

In 1997, the City of Jackson was flooded which resulted in damage to the Wastewater Treatment Plant. In March 1998, OWDA agreed to waive that year's loan payments because of the flood. The City did not have to make those payments, however, Foremost Management did remit payments to the City for the two scheduled payments in 1998.

The agreement between Foremost Management and the City does not address whether the payments are to be made if the debt payments, which is the reason for the assessment, are waived. Mr. Speakman in a response dated October 11, 2001, indicated he believed that a refund was due to Foremost Management. We spoke with Alan Stockmeister, President of Foremost Management, who indicated he thought the last two payments in the agreement did not have to be made. City representatives should meet with Foremost Management to discuss whether monies are to be returned to Foremost Management because of the waiver of two of the debt payments. The final negotiated agreement should be approved by the City Council.

We also noted the footnote disclosure in the City's financial statements indicate the loan monies were used for the purchase of sewer lines and discloses the agreement with Foremost Management. The footnote should be updated to reflect that the loan funds were actually used for upgrades to the Wastewater Treatment Plant and that the payments are currently being made by Luigino's instead of Foremost Management.

Other Miscellaneous Payments

In December 2000, the City purchased a copier from Gordon Flesch Company for \$2,995. The copier was received by Ron Speakman, City Safety/Service Director. The City recorded the expense of the copier entirely in the Electric Fund. The copier, maintained in the Mayor's Office, is used by the City Administration which includes employees of the Mayor's Office, the City Engineer's Office, and the Coordinator for Building Permits, the Flood Mitigation Project, and the Community Development Block Grant. The employees in these offices perform duties which affect many of the City's funds including the General, Street, Water, Sewer, Electric, Garbage, Railroad, and various grant funds. Because there is no documentation available to allow us to allocate the use of the copier to these different departments and the copier was not used exclusively for Electric Department activities, the expense should have been recorded in the General Fund.

¹⁵Foremost Management leased the additional space to Luigino's to complete its expansion.

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We will issue a finding for adjustment against the General Fund for \$2,995 in favor of the Electric Fund for \$2,995.

The City paid \$80 to Tim Dobbins in May 1999, for the installation of an awning on the City owned museum. The expenditure was approved by Carl Dobbins, Museum Director, who is the father of Tim Dobbins. This matter will be forwarded to the Ohio Ethics Commission for its review.

The City paid \$500 monthly to the Jackson Area Chamber of Commerce for rent of an office and related services for the Tourism Board. There was no formal written agreement between the City and the Chamber of Commerce for this monthly payment. The payment was authorized by the Safety/Service Director who is a Vice President of the Chamber of Commerce Board. In addition, a City Council member is the Director of the Chamber of Commerce. This matter will be forwarded to the Ohio Ethics Commission for its review.

The City remitted 4 checks totaling \$8,560 to The Tree Trimmer¹⁶. Robert Kinkaid, owner, invoiced the City for rentals of a one ton truck and a bucket truck. The invoices submitted by Mr. Kinkaid were vague and, in some instances, did not include the dates of the rental, the amount of the rent per hour or day, or where the item rented was used. The lack of detail on the invoices makes it difficult for the City to verify whether it received the services indicated on the invoice. Prior to payment, the City should ensure it has enough detail on the invoice to support that the work was performed.

We identified payments totaling \$6,425 to Saf-T Train. These expenses were recorded entirely as an expense of the General Fund and/or Utility Funds. Saf-T Train provided required safety training to the employees of the City. At each training, the employees were required to sign an attendance sheet. The expense should be allocated based on the employees attending the training. Should the City hire Saf-T Train to provide additional training, the expense should be allocated based on the attendees at the training instead of allocating the expense entirely to one fund.

We identified payments totaling \$42,254 to Steve Mathews for computer consulting. The expense was recorded entirely in either the General Fund or one of the utility funds. Mr. Mathews provided detailed invoices indicating the work performed but combined the hours for different departments. This prevented the City from allocating the services to the department receiving the benefit. Should the City hire another computer consultant to provide assistance for more than one department, the City should ensure the charges on the invoice are by department to allow for the allocation of the cost.

On March 7, 2000, the City paid \$1,322 to Industrial Hydraulics. The supporting documents for the payment included Job Work Order 7972 in the amount of \$661 attached to two different purchase orders. The Job Work Orders were the same number, for the same items, and for the same amount. As a result, the City paid Industrial Hydraulics for the same invoice twice which resulted in an overpayment of \$661. We will issue a finding for recovery of \$661 against Industrial Hydraulics in favor of the City's Electric Fund for public monies illegally expended.

Payments Issued in 1998

Although the following expenditures were not made during our audit period, a review of the minutes for Issue No. 2 noted the following expenditures were charged to unrelated funds. We reviewed the documentation supporting the expenditures to determine which fund incurred the expense.

¹⁶ The Tree Trimmer was a business owned by City employee, Robert Kinkaid, which provided tree trimming services.

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The City remitted four checks in 1998 totaling \$90,576 to Tennant for the purchase of a street sweeper and its related equipment. The asset was recorded in the Street Fund, however, the expense was recorded entirely in the Sewer Fund. In a response dated May 17, 2002, Mr. Speakman indicated the street sweeper was used to reduce the debris sent to the wastewater treatment plant by the storm sewers. These expenses should have been equally recorded in the Street and Sewer Funds for \$45,288.

The City paid \$648 to Tennant in September 1998 for supplies for the street sweeper. The street sweeper was listed as an asset of the City Garage. The expense was recorded entirely in the Electric Fund. This expense should have been recorded in the Street and Sewer Funds for \$324 each.

In November 1998 the City purchased a 2½ ton dump truck from Navistar for \$46,775. The City allocated the cost of the dump truck to the following funds in the following amounts: the Water Improvement Fund for \$15,599, the Sewer Improvement Fund for \$15,599 and the Electric Fund for \$15,577. The dump truck is listed as a Water Department asset, however, this truck is used and maintained at the City Garage. Per George Bapst, City mechanic, this truck was used for Street and Alley Department activities with occasional use by the Water Department. In a response dated May 17, 2002, from Ron Speakman, Jim Norris, Director of Water and Wastewater indicated the truck was used for maintenance activities for the Water and Sewer Departments. Therefore, the cost of the truck should have been recorded equally as an expense of the Sewer Fund for \$23,388 and Water Fund for \$23,387.

We will issue findings for adjustment against the Street Fund for \$45,612, Sewer Fund for \$69,000 and the Water Fund for \$23,387 in favor of the Water Improvement Fund for \$15,599, the Sewer Improvement Fund for \$15,599, the Sewer Fund for \$90,576 and the Electric Fund for \$16,225.

Monthly Transfers From the Utility Funds to the General Fund

During the years 1989 through 2001, the City made monthly transfers from its enterprise utility funds to the General Fund. These transfers were not permitted by Ohio Rev. Code Sections 5705.14 to 5705.16. We obtained City records for 1989 through 2001 which documented the amount of transfers.

Each year the City Auditor's Office received an amount for that year's total transfers from the Safety/Service Director. We contacted the Safety/Service Director to obtain an explanation and supporting documentation for the calculation of the amounts transferred. The Safety/Service Director indicated the transfers were included as part of the annual budget approved by Council or included in Ordinances approved by Council.

The City was unable to provide any documentation to support that the transfers were in accordance with Ohio Rev. Code Sections 5705.14 and 5705.16 or that they met one of the exceptions permitted in those sections.

For the period January 1, 1989 through December 31, 2001, the City transferred \$1,660,090 from the Water Fund, \$1,945,533 from the Sewer Fund, \$178,463 from the Garbage Fund, and \$2,272,176 from the Electric Fund to the General Fund. These transfers totaling \$6,056,262 were not permitted by the Ohio Rev. Code.

We will issue a finding for adjustment against the General Fund for \$6,056,262 in favor of the Water Fund for \$1,660,090, the Sewer Fund for \$1,945,533, the Garbage Fund for \$178,463, and the Electric Fund for \$2,272,176.

General Weaknesses Related to Expenditures

We noted the following general weaknesses during the review of the expenditures:

- ▶ 1,801 expenditures which were not properly encumbered.
- ▶ 139 instances in which the expenditure did not include either detailed supporting documentation or any supporting documentation.

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- ▶ 986 instances in which the expenditure was not supported by a completed receiving form verifying the goods or services were received or a receiving form was not completed. There was no City policy requiring the use of the form, however, a review of the expenditures indicated it was standard practice to complete the form for non-payroll expenditures.
 - ▶ 4 instances where the payments were made prior to the receipt of the goods or service.
 - ▶ The City does not have a policy concerning personal use of the City's Internet service.
 - ▶ The City does not have a policy requiring reimbursement for personal phone calls on the City's cell phones. We identified numerous calls to employees' residences during 1999 and 2000.
 - ▶ The mileage reimbursement requests submitted by employees did not include a mileage log indicating the date, the purpose, and the mileage driven by the employee. In addition, the mileage reimbursement request form refers to an Ordinance approved in 1986 which is no longer in effect.
5. We identified 136 fixed assets totaling \$193,923 purchased during the Period. Because of a lack of detail included on the invoices and a threshold of recording only assets exceeding \$1,000 on the City's fixed asset listing, we attempted to physically locate those assets identified in Procedure Nos. 1 through 4 and noted the following:
- ▶ We were able locate 105 assets totaling \$165,975 at the various City departments.
 - ▶ We were unable to locate 23 assets totaling \$24,967 because the asset was either buried underground or we were unable conclude whether the assets located were the assets purchased.
 - ▶ We were unable to locate 8 assets, totaling \$2,981, because the invoices did not provide sufficient detail as to the asset's specific location at a City department or the item simply could not be located by the City.
6. As necessary, we conducted interviews and depositions of certain City officials and/or employees to obtain further information regarding certain expenditures identified while performing Procedure Nos. 1 through 4. To the extent the responses were relevant to those expenditures, that information is contained in Result Nos. 1 through 4. The following information, not specific to the expenditures reviewed, was also obtained during our interviews and depositions.

Work Performed on Personal Items While on City Time

Installation of 200-amp Electric Box

During an interview, Roger Fisher, Electric Department Supervisor, indicated he had installed a 200-amp breaker box at Ron Speakman's residence on City time. Mr. Fisher indicated he purchased a 200-amp electric panel, breakers, wire, and other supplies on September 12, 2000 totaling \$274.

These purchases were charged on the City's charge account. In his interview, Mr. Fisher indicated he spent 8 regular hours and 3.5 overtime hours installing the 200-amp box. Using Mr. Fisher's hourly compensation rate and benefit amount, City labor costs totaling \$274 were spent installing the 200-amp box at Mr. Speakman's residence.

Mr. Speakman indicated Mr. Fisher had told him that Mr. Fisher was on his own time and not the City's. In addition, he indicated that he gave Mr. Fisher \$200 for the cost of the material needed and that he had purchased the 200-amp box from West Virginia Electric. Mr. Speakman indicated he had a receipt for the purchase. The receipt he provided was dated in August 1998. We contacted Mr. Fisher who indicated he did not receive the \$200 as indicated by Mr. Speakman.

We proposed a finding for recovery for this matter. On March 27, 2002, Ron Speakman reimbursed the City \$548 for the installation of the 200-amp breaker box at his residence. We will consider this a finding repaid under audit.

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Vehicle and Equipment Service

Randy Hughes, City Mechanic, stated each Spring and Fall, he was ordered by his supervisor, George Bapst, to go to Mr. Speakman's residence and service his lawnmowers. Mr. Hughes stated he has performed this twice a year for the past six years on City time. Each time, he drove a City truck to Mr. Speakman's residence. Sometimes, he took parts from the City's storage, because the City had the same lawnmowers as Mr. Speakman.

Mr. Hughes stated he spent approximately 1.5 hours servicing of the mowers twice a year or a total of 18 hours for 1995 through 2000. As a result, the City spent \$255 in labor costs for work performed on Mr. Speakman's personal lawnmowers. Mr. Speakman's deposition indicated he was unaware this work was performed on City time.

Mr. Hughes stated that in 2000, he and George Bapst went to Mr. Speakman's residence on City time to repair a brake controller on Mr. Speakman's truck. Mr. Hughes indicated he and Mr. Bapst each spent one hour correcting the wiring on the truck. Based on labor costs for Mr. Hughes and Mr. Bapst, the labor cost of repairing the brake controller totaled \$40. Mr. Speakman indicated during his deposition that he requested the employees check to see where the problem was; however, did not request that they repair the problem.

Mr. Hughes stated that while on City time in 2000, he spent half an hour repairing Mr. Speakman's rotor-tiller. As a result, the City incurred labor costs of \$8 while Mr. Hughes was working on a personal asset of Mr. Speakman's. We will issue a finding for recovery of \$8 against Mr. Speakman for public monies illegally expended in favor of the City's General Fund.

Roger Fisher, Electric Department Supervisor, indicated that in 1995, he spent an hour and a half of City time purchasing a 4" water valve from Jerry's Do It Center. Mr. Fisher indicated he and Butch Morris purchased the valve using the City's credit card obtained from Mr. Speakman. Mr. Fisher indicated he placed the valve in the back seat of Mr. Speakman's vehicle as directed by Mr. Speakman. As a result, the City incurred labor costs of \$24 for Mr. Fisher and Mr. Morris for performing a personal errand for Mr. Speakman while on City time. We will issue a finding for recovery of \$24 against Mr. Speakman for public monies illegally expended in favor of the City's General Fund.

Jeff Ridgeway, City maintenance employee, indicated in an interview that in 2000, he replaced the entry light at Mr. Speakman's personal residence while on City time. Mr. Ridgeway stated the entry light was at the residence when he arrived and he spent 2.5 hours installing the light. As a result, the City incurred labor costs of \$46 while Mr. Ridgeway installed the light for Mr. Speakman. During Mr. Speakman's deposition, he indicated he did not have Mr. Ridgeway replace the light and that the entry light is the same one present when the house was built.

Mr. Ridgeway also indicated he spent 2 hours on City time replacing the door knobs on Mr. Speakman's camper in 2000. As a result, the City incurred labor costs of \$37 for Mr. Ridgeway replacing the knobs while on City time. During Mr. Speakman's deposition, he stated that Mr. Ridgeway replaced one or two knobs.

Mr. Ridgeway also stated he was contacted by Mr. Speakman in 2000 to obtain and deliver gasoline to Mr. Speakman's daughter, because she had run out of gasoline in town. Mr. Ridgeway stated Mr. Speakman provided him cash to purchase the gas and that he spent an hour on City time performing this personal errand from Mr. Speakman. As a result, the City incurred labor costs of \$18 for Mr. Speakman's personal errand.

We proposed findings for recovery for these items. On March 27, 2002, Ron Speakman reimbursed the City \$396 for the above items with the exception of the water valve purchase and servicing of his rotor-tiller. We will consider these items findings for recovery repaid under audit.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Roy Hatten and Wayne Mercer, Street and Alley Department employees, stated they installed drywall at Robin Bissell's residence. Each spent their lunch hour, of which half was paid by the City, and an additional half hour of the City's time. As a result, the City incurred labor costs of \$32 for Mr. Hatten and Mr. Mercer installing drywall while on City time. The City should invoice Ms. Bissell for the work performed by these two employees. On March 28, 2002, Ms. Bissell reimbursed the City \$32 for the labor costs for installing the drywall at her personal residence.

Personal Use of City Assets

Computer in the Mayor's Offices

Barb Rinehart, Administrative Secretary, indicated Ron Speakman, Safety/Service Director, ordered her to design a campaign flyer for Wendell Brunton.¹⁷ She advised that she designed the flyer during city hours on the City computer. She also indicated she did several flyers for fund-raisers and personal letters for Mr. Speakman on City time.¹⁸ Mr. Speakman indicated during his deposition that the initial handbill was created by someone else. He then asked Ms. Rinehart on two or three occasions to change the dates for a total of 10 or 15 minutes each time.

Felicia Walls, Administrative Assistant, confirmed the campaign flyers were on Ms. Rinehart's computer. Ms. Walls stated she also saw Mr. Speakman use the office copier for campaign business, however, he brought his own paper.

Steve Benson, City Engineer, confirmed Mr. Speakman had directed Ms. Rinehart and Ms. Walls to copy campaign flyers for Mr. Brunton. Mr. Benson indicated Mr. Speakman purchased the paper the flyers were printed on but the copying was completed during the City's work hours with the City's copier.

Ms. Rinehart, Ms. Robin Bissell, Executive Assistant, and Ms. Walls each indicated they had prepared personal correspondence for Mr. Speakman and Mayor Evans while on City time using the City's computer. Ms. Bissell indicated she had also prepared personal correspondence for other department heads.

City Tree Trimming Equipment

Robert Kinkaid, City employee and owner of a private tree trimming business, admitted he used the City's tree trimming saws for his personal business on the weekends when needed. This was verified by Ron Aldridge, a city employee who worked for Mr. Kinkaid at his private business. Mr. Kinkaid stated he periodically used his personal tools for City jobs. If his personal saw was damaged and needed repair as a result of work performed for the City, the repair costs were charged to the City.

Mr. Kinkaid charged a set of bolt cutters and a grizzly bar¹⁹ on the City's charge account at West Virginia Electric. He indicated both the bolt cutters and the grizzly bar were to replace his personal ones which had been damaged while performing work for the City. Mr. Kinkaid stated the items were stored on the City's bucket truck and used in his personal business when needed.

¹⁷As stated previously, Mr. Brunton is Mr. Speakman's brother-in-law and a current Jackson County Commissioner.

¹⁸Ms. Rinehart provided diskettes and a CD which included the computer files for the design of the campaign flyers, campaign letters written for Mr. Speakman, and various personal letters for Mr. Speakman. We forwarded these items to the Jackson County Prosecutor for his review and investigation.

¹⁹A grizzly bar is a metal bar used for electrical work similar to a crowbar.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Ron Aldridge, former Electric Department employee, verified the two purchases were on the City's account, but was unaware of the location of the items purchased by Mr. Kinkaid. The City does not have a policy to prohibit the personal use of City assets nor does it have a policy regarding repairing an employee's personal tools used for City business.

Mowing of Land Owned by Jackson Corp.

It was brought to our attention that in 1998 City employees mowed the land between the buildings of Jackson Corp. and the Safety/Service Director's residence. The land is owned by Jackson Corp., however, was mowed by City employees on City time using City equipment. The City was unable to provide an explanation for why they mowed the land of a private business. Roy Hatten and Wayne Mercer, Street and Alley employees, indicated each spent 2.25 hours trimming brush with the City's sidearm mower. Based on the hourly wage of these two employees in 1998, the City incurred labor costs of \$71 for work performed for Jackson Corp. To date, Jackson Corp. has not been invoiced for the service provided by the City. Should the City perform work for a private resident or business, the City should invoice for the equipment use and man hours spent performing the work. The City should invoice Jackson Corp. for the labor costs associated with trimming the brush on the land owned by Jackson Corp.

Striping of Private Business Parking Lots

Street Superintendent, Melvin Davis stated during an interview that in 2000, he and employee, Ray Rasp, striped the parking lot for Jackson Tire. The two employees spent 2.5 hours each striping the lot at a labor cost of \$104. A portion of the parking lot is owned by the City and the remainder is owned by Jackson Tire, a privately owned business. On May 21, 2002, Jackson Tire paid the City \$104 for the labor costs for striping the parking lot.

Ray Rasp also indicated that in 1999, he and Melvin Davis, Street Superintendent, striped the parking lot for the Disabled American Veterans. Each spent 3.5 hours performing this work at a total labor cost of \$139. As of the date of this report, the City has not invoiced the Disabled American Veterans for the striping of its parking lot. The City should invoice the Disabled American Veterans for the cost of striping its lot.

Should the City continue to perform services for private residents and businesses, the City should invoice for the equipment use and man hours spent performing the work at the time the work is completed.

Gifts from Vendors

The following instances were brought to our attention where City employees or officials received money, gifts, or trips from vendors of the City:

- ▶ Roger Fisher, Electric Department Supervisor, indicated that when his ex-wife recently passed away, he was unable to afford the airfare to attend the funeral. However, a good friend, who is the owner of K & J Gift, gave him a plane ticket to attend the funeral in Montana. K & J Gift is a vendor which sells electrical safety equipment to the City.
- ▶ Eddie Henderson, City Janitor, indicated in a deposition that Alan Stockmeister lent him \$38,000 with no repayment or interest terms established. Mr. Stockmeister owns three companies, A J Stockmeister, Stockmeister Enterprises and Foremost Management, which all do substantial business with the City. As of October 2001, no repayment has occurred.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ In 2001, Mayor Evans and Ron Speakman attended a week long fishing trip for which a portion of the expenses were paid for by Luigino's, a local business. We interviewed Todd Cardiff, Director of Distribution for Luigino's, regarding the trip to the fishing camp. Mr. Cardiff stated that the persons invited on the fishing trip were vendors of Luigino's. Mr. Cardiff indicated that he attended the trip and each individual on the trip paid for their own airfare to Duluth, Minnesota and any hotel charges. The attendees were then flown by Luigino's on private planes to a camp in Canada. The expenses including accommodations, fishing boats, meals, and tackle were paid for by Luigino's.

Mr. Cardiff indicated there were various Luigino employees and 5 other vendors on the trip. Mr. Cardiff indicated Mr. Evans was invited because J & T Coin OP, a company owned by Mayor Evans, is a vendor to Luigino's and has been since 1990. Mr. Cardiff indicated Mr. Speakman was invited because the City provides utility services to their company.

Mayor Evans indicated he has had a longstanding relationship with Luigino's because of his vending company. He stated he accepted the trip as the owner of the vending company and not as the Mayor. The Mayor also indicated everyone on the trip with the exception of Mr. Speakman was a vendor of Luigino's and that he did not know why Mr. Speakman was invited on the trip. Mr. Speakman acknowledged that he was invited on the fishing trip to Canada but was unsure why he was invited.

These matters will be referred to the Ohio Ethics Commission for its review.

Delinquent Utility Accounts

The City has written off an average of \$27,885 in delinquent utility accounts during fiscal years 1997 through 2001. A review of the delinquent accounts written off included City employees, County employees, and businesses still in operation. The City's process for addressing delinquent accounts is to send a letter indicating the customer has five days to pay the bill. A second letter is sent if no payment is received indicating the customer has ten days to pay the delinquent bill. If still no response is received and the customer cannot be reached by telephone, the account is given to M & M Collections. M & M Collections attempts to obtain payment from the customers and receives 50% of the monies collected as their fee. If the account was still delinquent after one full year with no activity, the Utilities Superintendent included the account in a listing of accounts to be written off.

Prior to this process being implemented in early 2000, the City would send a letter giving the customer seven days to contact the City to make arrangements to pay the delinquent amount. However, if no payment was provided, the account was forwarded to the City Law Director for further review. Once the accounts were sent to the Law Director, he simply notified the credit bureaus of the unpaid accounts. No further action was generally taken by the City.

A review of the delinquent accounts noted the following:

- ▶ The City wrote off \$1,131 in delinquent utility bills for Jackson Hardware. As of the date of this report, Jackson Hardware is still in business. The City entered into a delinquent account payment agreement with Jackson Hardware in 1997, 1998 and 2000 to repay the amounts written off. The \$1,131 written off by the City was paid by Jackson Hardware on August 15, 2001.

Each of the agreements stated Jackson Hardware would make monthly payments in the amount specified in the contract by a specific date each month. In addition, Jackson Hardware was to remain current on its new utility charges. The agreement also stated that "in the event Jackson Hardware fails to timely make the payments described in paragraph 1 and/or fail to make the monthly payment on the current utility bills by the due date, then the CITY shall terminate utility services to the business operated by Jackson Hardware, and included in this agreement."

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A review of the account history related to the delinquent accounts specified in the agreements indicated there were numerous instances where Jackson Hardware did not make its payments in the specified amount or by the specified date each month. However, the City did not cease utility services.

- ▶ Robin Warren, daughter of the Safety/Service Director, Ron Speakman, had a delinquent utility account balance of \$459 as of August 3, 2000. Payments were made on August 4, 2000, and February 3, 2001, however, there is still an outstanding balance of \$234. On September 1, 2000, Ms. Warren opened another utility account which had a delinquent balance as of July 1, 2001, of \$398. Ms. Cheryl Adkins, Utilities Department, indicated it was the City's practice to disallow a resident from opening a new utility account when the resident had a delinquent balance on a prior account. This practice has not been memorialized in writing by the City. However, contrary to this practice, the City allowed Ms. Warren to open another account when she still had a final outstanding balance on another utility account. Should the City wish to continue this practice, the practice should be memorialized in writing. This matter will be referred to the Ohio Ethics Commission for its review.
- ▶ Rhonda Hutchinson, daughter of the Safety/Service Director, Ron Speakman, had a delinquent utility balance of \$246 in which no payments have been made since June 17, 1993. Mr. Ron Speakman authorized the Utilities Office to write off this delinquent account in June of 1994. This matter will be referred to the Ohio Ethics Commission for its review.

We will issue a management comment regarding the City's managing of its delinquent utility accounts.

Paving of Jackson Hardware's Parking Lot

In 1998, the City contracted with Shelly and Sands to pave selected streets designated by City Council for paving. Included on the invoice was extra work which included the paving of 2 driveways for City residents, a parking area for a City employee and a parking lot for Jackson Hardware. We noted the two residents and the City employee were invoiced by the City and made payment for the work performed by Shelly and Sands. However, the City Auditor's office was unable to locate an invoice or payment from Jackson Hardware for the paving of its parking lot.

We spoke with Jackson Hardware owner, Bill Ratcliff, who indicated that in 1998, he contacted the City to determine the cost to have his parking lot paved and was informed by Ron Speakman, Safety/Service Director, that the cost would be \$3,800. Mr. Ratcliff indicated he told Mr. Speakman that he could not afford the cost and to disregard his request. When Shelly and Sands began paving the parking lot, Mr. Ratcliff contacted Mr. Speakman and reiterated that he could not afford the cost of the paving. Mr. Ratcliff stated Mr. Speakman indicated he would receive an invoice for the cost of the paving.

We contacted Mr. Speakman regarding the invoicing of the paving work performed at Jackson Hardware. Mr. Speakman indicated in his response the billing had been overlooked and provided a copy of an invoice dated October 10, 2001 addressed to Jackson Hardware for the paving work performed.

No payment has been received as the date of this report. Mr. Ratcliff indicated he received this invoice in December 2001. Upon receipt, he contacted Mr. Speakman and reiterated again that he was unable to pay for the paving work. On January 8, 2002, Mr. Speakman, on behalf of the City, entered into an agreement with Jackson Hardware to repay the paving costs over a four-year period at 4% interest. Should Jackson Hardware fail to make the monthly payments beginning February 20, 2002, the entire amount becomes due to the City. Mr. Ratcliff indicated he did not know how he was going to make those payments since he was having financial difficulties. We will issue a finding repaid under audit for the cost of the paving of \$3,850.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Agreement with Consolidated Health Systems

On November 28, 2000, the City passed Ordinance 126-00 entering into an agreement in which Consolidated Health Systems (CHS) would construct a water line, sewer lift station and forced sewage main from the City's lines to the Hospital. At the completion of the construction, CHS agreed to turn the ownership of the items constructed over to the City. In return, the City agreed to pay CHS \$899,432. However, instead of remitting a periodic debt payment, the City agreed to reduce the monies owed to CHS by the utility usage of the hospital until the debt was repaid.

The City began billing for the utility services on December 8, 2000. Therefore, ownership of the water lines, lift station and a forced main transferred to the City prior to December 8, 2000. The City did not include the asset or liability on its 2000 financial statements. The City should include both the asset and liability on its 2001 financial statements and disclose the arrangement in its footnotes.

Railroad Brush Clearing at Richmonddale Crossing

In the summer of 2000, the City received complaints about the brush along the railroad right of way owned by the City near Richmonddale. The City is required to maintain a cleared path along the rails. The City hired Brunton Contracting to clear the brush; rented equipment from HMI, Inc., rented a truck from The Tree Trimmer²⁰ and also required City employees to perform brush clearing at the railroad crossing. Based on the invoices submitted by the 3 contractors and the wages for the employees assisting in the brush clearing, the City expended approximately \$10,500 for the clearing of the crossing. We interviewed the parties involved in the brush clearing and obtained conflicting statements from the City employees and two vendors as to who actually performed the work. We were unable to conclude whether the payments to the vendors were for work performed by the vendors and not by City employees.

Other Miscellaneous Issues to be Referred to the Ohio Ethics Commission

The following issues will be referred to the Ohio Ethics Commission:

- ▶ On May 14, 2001, Seasongood and Mayer held a dinner meeting at the Colonial Restaurant for City officials regarding the renewal of the City's bond. The meal provided to the attendees was paid for Seasongood and Mayer. Carl Barnett, City Auditor, indicated this has been occurring for several years. In depositions, both the Mayor and Safety/Service Director verified the meals were paid for by Seasongood and Mayer.
- ▶ Council member Shane Goodman and Council President Dennis Hodge own a business called "The Zone", which sells pizza and cell phones and rents videos. This business sells the City its cell phones used by City employees and officials. Dennis Hodge, Council President, indicated neither he nor Mr. Goodman were involved in the transaction. Mr. Goodman's sister was employed during the summer and approached the City regarding the cell phones. Since then, the City periodically contacts them to add additional cell phones to their plan.
- ▶ Ron Speakman, Safety/Service Director, served on the Executive Board of the Jackson Area Chamber of Commerce. Mr. Speakman was also a member of the City's Tourism Board. While he was on the Executive Board of the Chamber of Commerce, Mr. Speakman approved City payments to the Chamber in his capacity as the Safety/Service Director and as a member of the Tourism Board.

²⁰ See footnote No. 16.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

7. We reviewed salaries, overtime, fringe benefits, and the allocation of salaries for certain employees to determine whether the employees were paid in accordance with authorized salaries and benefits.

Salaries of Department Heads and Certain Management Employees

Overcompensation of Department Heads and Certain Management Employees

We obtained Ordinances 92-98 and 70-99 which set the annual amounts of compensation for the department heads and certain management employees effective September 1st of each year. We compared the actual compensation²¹ paid to the City employees for non-overtime hours to the approved annual compensation for the period of September 1, 1998 through August 31, 2000. Upon approval of each Ordinance, Ron Speakman provided an approved Payroll Status Change form to the City Auditor's Office with the employee's new pay rate.

The following table reflects overpayments to certain City employees based on a comparison of compensation for regular hours and the annual amount of compensation authorized by City Council plus hourly stipends²² effective for the period September 1, 1998 through the last pay period in August 2000:

<u>Employee</u>	<u>Overpayment</u>
Melvin Davis	103
William McManis	1,274
Jeffrey Coyan	313
	<u>\$1,690</u>

We will issue findings for recovery for the individual amounts against the above-named employees and their bonding companies, jointly and severally, and for \$1,690 against Ron Speakman, Safety/Service Director, and his bonding company, jointly and severally, for public monies illegally expended in favor of the City's Street Fund for \$78, the Water Fund for \$313, the Garbage Fund for \$25, and the Electric Fund for \$1,274.

Salary Allocation

In 1999 and 2000, the Safety/Service Director provided the City Auditor with a memo stating that the payroll for certain employees was to be allocated between various funds. Discussion with the City Auditor indicated the allocation was to be reflective of the employees' duties. We compared the allocations to the job descriptions for the selected employees and noted that the allocation did not encompass all of the employees' job duties. For example, the allocation memo allocated the salary of the City Engineer, to the Water, Sewer and Electric Funds. However, his job description indicated he was also to serve as building inspector and was responsible for all construction projects within the City limits. The City was involved in various construction projects unrelated to the utility funds.

Ron Speakman, Safety/Service Director, provided copies of a portion of the weekly time summaries for 1998 and 1999 for a few of the employees listed on this memo and provided the entire year of time summaries for 1998 and 1999 for 3 of the employees listed on this memo. We utilized the time summaries as a basis to identify the allocation for the following year and noted the following:

²¹This was calculated as compensation for regular hours paid less any leave pay-outs during September 1, 1998 through August 31, 2000.

²² City Council authorized in a retroactive resolution for department heads and management employees to receive the same benefits as union employees. These benefits included hourly stipends for longevity, nonparticipation in City health insurance, and licenses held by the individuals.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

George Bapst (Mechanic Supervisor)

The memo prepared by Mr. Speakman indicated Mr. Bapst's salary was to be equally allocated between the Water, Sewer, Garbage, Electric and General Funds. An entire year's time summaries for 1998 and 1999 were available for Mr. Bapst. Using the available time summaries, we recalculated the allocation percentages for Mr. Bapst's salary for 1999 and 2000 as follows:

Fund	1999	2000
Electric	8.81%	44.02%
Water	13.54%	7.35%
Sewer	7.43%	7.42%
Street	31.44%	15.76%
Garbage	11.56%	8.30%
Cemetery	10.49%	5.72%
Fire	3.38%	1.18%
Recreation	0.21%	0.00%
General	<u>13.14%</u>	<u>10.25%</u>
	<u>100.00%</u>	<u>100.00%</u>

We calculated the payroll to be allocated to the above noted funds for 1999 and 2000 and compared the calculated allocation to the actual allocation and noted the following variances:

Fund	1999 & 2000 Amount Allocated	1999 & 2000 Amount To Be Allocated*	Variance
General	\$29,101	\$11,116	\$17,985
Water	16,593	9,866	6,727
Sewer	16,593	7,089	9,504
Electric	16,593	25,823	(9,230)
Garbage	16,593	9,424	7,169
Street		22,263	(22,263)
Cemetery		7,656	(7,656)
Fire		2,139	(2,139)
Recreation		97	(97)
	<u>\$95,473</u>	<u>\$95,473</u>	<u>\$0</u>

* - This was calculated by taking the % of allocation per fund from the previous year's times study times the total of wages and fringe benefits for each year identified by the City Auditor's Office.

We will issue a finding for adjustment against and in favor of the above funds to reallocate Mr. Bapst's salary to reflect actual time spent performing his duties.

Melvin Davis (Street and Alley/Garbage Superintendent)

The memo prepared by Mr. Speakman indicated Mr. Davis's salary was to be allocated 75% to the Street Fund and 25% to the Garbage Fund. We were provided an entire year's time summaries for 1998 and 1999. Using the available time summaries, we recalculated the allocation percentages for Mr. Bapst's salary for 1999 and 2000 as follows:

Fund	1999	2000
Street	62.04%	61.15%
Garbage	<u>37.96%</u>	<u>38.85%</u>
	<u>100.00%</u>	<u>100.00%</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We calculated the payroll to be allocated to the above noted funds for 1999 and 2000 and compared the calculated allocation to the actual allocation and noted the following variances:

Fund	1999 & 2000 Amount Allocated	1999 & 2000 Amount To Be Allocated*	Variance
Garbage	\$33,912	\$52,104	(\$18,192)
Street	<u>101,735</u>	<u>83,543</u>	<u>18,192</u>
	<u>\$135,647</u>	<u>\$135,647</u>	<u>\$0</u>

* - This was calculated by taking the % of allocation per fund from the previous year's times study times the total of wages and fringe benefits for each year identified by the City Auditor's Office.

We will issue a finding for adjustment of \$18,192 against the Garbage Fund and in favor of the Street Fund to reallocate Mr. Davis's salary to reflect the actual time spent performing his duties.

Shelba Harless (Utilities Superintendent)

The memo prepared by Mr. Speakman indicated Ms. Harless' salary was to be equally allocated between the Water, Sewer, Garbage, and Electric Funds. We were provided an entire year's time summaries for 1998 and 1999. Using the available time summaries, we recalculated the allocation percentages for Mr. Bapst's salary for 1999 and 2000 as follows:

Fund	1999	2000
Electric	26.78%	25.24%
Water	24.41%	24.92%
Sewer	24.75%	25.24%
Street	0.56%	0.00%
Garbage	17.62%	24.60%
Cemetery	<u>5.88%</u>	<u>0.00%</u>
	<u>100.00%</u>	<u>100.00%</u>

We calculated the payroll to be allocated to the above noted funds for 1999 and 2000 and compared the calculated allocation to the actual allocation and noted the following variances:

Fund	1999 & 2000 Amount Allocated	1999 & 2000 Amount To Be Allocated*	Variance
Water	\$26,078	\$28,798	(\$2,720)
Sewer	38,586	29,184	9,402
Electric	26,078	30,434	(4,356)
Garbage	26,078	24,444	1,634
Street		344	(344)
Cemetery		<u>3,616</u>	<u>(3,616)</u>
	<u>\$116,820</u>	<u>\$116,820</u>	<u>\$0</u>

* - This was calculated by taking the % of allocation per fund from the previous year's times study times the total of wages and fringe benefits for each year identified by the City Auditor's Office.

We will issue a finding for adjustment against and in favor of the above funds to reallocate the salary of Ms. Harless to reflect the time spent performing her duties.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Other Employees

Mr. Speakman also allocated the salaries for the City Engineer, the Executive Assistant and himself. The fund allocations per the memo in effect for 1999 and 2000 were as follows:

- ▶ City Engineer - Water Fund, Sewer Fund, and Electric Fund, equally.
- ▶ Executive Assistant - Water Fund, Sewer Fund, Electric Fund, Garbage Fund and General Fund equally.
- ▶ Safety/Service Director - Water Fund, Sewer Fund, Electric Fund, Garbage Fund and General Fund equally.

The City was unable to provide weekly time summaries for the entire year for the above individuals. However, the available time summaries reflected time spent on duties related to funds other than those mentioned above. The following funds were indicated as time being spent on the available weekly time summaries for the following individuals during 1998 and 1999:

- ▶ City Engineer - Water Fund, Sewer Fund, Electric Fund, Street Fund, Garbage, Cemetery, and the General Fund.
- ▶ Executive Assistant - Water Fund, Sewer Fund, Electric Fund, Garbage Fund, Street Fund, Cemetery Fund, and the General Fund.
- ▶ Safety/Service Director - Water Fund, Sewer Fund, Electric Fund, Garbage Fund, Street Fund, Cemetery Fund, Railroad Fund, and the General Fund.

Because we did not have a complete year of weekly time summaries, we were unable to allocate the 1999 and 2000 salaries for those employees based on the time spent on duties for 1998 and 1999.

We also noted incorrect dates for pay periods, instances where allocations for a day exceeded 100%, and no evidence of any review of the time summary.

We will recommend the City develop a payroll cost allocation plan for employees who provide services benefitting various City funds. Should fixed rates be used, the City should maintain documentation to support that the established rates reasonably relate to the percentage of time the employee spends on activities which benefit specific funds.

Safety/Service Director's Salary

Ordinance 70-99 indicated the Safety/Service Director was to be paid \$900 higher than the highest paid City employee. Ordinance 70-99 does not stipulate whether contracted employees are included when determining the highest paid city employees. The City used the salary of the City Engineer, who is a contracted employee to calculate the Safety/Service Director's compensation. Ordinance 70-99 resulted in the Safety/Service Director receiving a pay increase of \$21,759 from his 1998 salary.

We noted each time that the City Engineer obtained a license, he also received a pay increase. At the same time, the Safety/Service Director was granted an increase in pay comparable to the City Engineer. Ordinance 70-99 does not specifically state whether or not these increases were allowable. A review of the Payroll Status Change forms for Mr. Speakman's payrolls indicated 4 of the 12 change forms for 1999 through May 2001 were approved by the Mayor as Mr. Speakman's supervisor. The remaining 8 forms did not document supervisory approval.

City Council should pass an Ordinance clarifying the annual rate of compensation and whether the Safety/Service Director should receive an hourly increase each time a subordinate receives a pay increase for a new license.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Overtime Compensation of Department Heads

Authorization of Overtime for Department Heads

A review of Council minutes for 1995 through 2000, indicated that the City had not passed an Ordinance authorizing overtime benefits for the department heads and management personnel. Each year, the City Council authorized an annual amount of compensation for the department heads and management personnel which did not mention overtime benefits. During 1999 and 2000, the City paid its department heads and management personnel \$61,858 and \$43,747 in overtime, respectively.

Although minutes from September 1994 include a discussion of drafting a resolution to offer department heads and management personnel the same benefits as unionized employees, the minutes from this date until January 14, 2002, do not indicate the resolution was drafted or a formal Ordinance was passed.

On January 14, 2002, the City Council approved Resolution 1-02 formally authorizing the City to offer the same benefits to the department heads and management personnel as are offered to the City's unionized workers. In addition, the Resolution ratified, confirmed and approved all past actions and practice where the department heads and management personnel were offered the same benefits as those offered to the union employees. As a result of this resolution, the City Council retroactively approved overtime payments of \$105,614 to its department heads and management personnel for 1999 and 2000.

We will recommend the Ordinance be further clarified to define specific benefits for department heads and management personnel.

Incorrectly Calculated Overtime Compensation

During the review of the annual compensation to the department heads, we also verified the accuracy of the overtime rate paid to the department heads and management personnel. We noted the following errors in calculation of overtime rates paid for overtime hours worked:

- ▶ Melvin Davis was paid for 26.54 hours of overtime at a rate of \$28.05 per hour for the pay period ending January 12, 2000. His hourly rate was \$17.80 for each regular hour of work and \$26.70 for each hour of overtime work. As a result, Mr. Davis was paid an additional \$1.35 per overtime hour or \$35. On April 10, 2002, Mr. Davis reimbursed the City \$35 for the overtime overpayment.
- ▶ William McManis was paid for 19.8 hours at a rate of \$29.29 per overtime hour for the pay period ending January 12, 2000. His hourly rate was \$18.15 for each regular hour of work and \$27.23 for each hour of overtime work. As a result, Mr. McManis was overcompensated \$2.07 an hour for overtime work or \$40.
- ▶ Jeff Coyan was paid for 16.5 hours at a rate of \$31.22 per overtime hour for the pay period ending January 12, 2000. His hourly rate was \$18.15 for each regular hour of work and \$29.55 for each hour of overtime work. As a result, Mr. Coyan was overcompensated \$1.67 an hour for overtime work or \$27.

These amounts will be included in the finding for recoveries against Mr. McManis and Mr. Coyan for salary overpayments.

Other Miscellaneous Salary and Overtime Issues

It was alleged Sally Penix, Police Department Dispatcher, was compensated for overtime she did not work. We reviewed the overtime request forms to identify the hours of overtime worked and the payroll registers to identify the hours of overtime compensated. We also noted Ms. Penix's overtime was often approved by the Police Chief, Ted Penix, who is her husband. This matter will be referred to the Ohio Ethics Commission for its review.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A review of Ms. Penix's overtime compensation requested and actual overtime compensation received noted that Ms. Penix was overcompensated \$1,469 as indicated in the table below:

Pay Period End Dates	OT Hours Paid	Requested OT Hours	Variance	Hourly Rate*	Over Payment
01/13/99 thru 09/22/99	169.00	146.50	22.50	\$20.55	\$462
10/06/99 thru 09/20/00	201.50	170.95	30.55	\$21.30	650
10/04/00 thru 12/27/00	<u>94.50</u>	<u>78.40</u>	<u>16.10</u>	\$22.16	<u>357</u>
	<u>465.00</u>	<u>395.85</u>	<u>69.15</u>		<u>\$1,469</u>

* - Hourly base rate per the City Auditor's Office x 1.5

We will issue a finding for recovery against Sally Penix, Ted Penix, and their bonding companies, jointly and severally, for public monies illegally expended in the amount of \$1,469 in favor of the City's General Fund.

Fringe Benefits

The City provided fringe benefits to its employees including Clothing Allowances, Educational Incentives, and Mileage Stipends. We noted the following during a review of these benefits.

Clothing Allowances

AFSCME Contract Article 23 Sections 4 and 5 described the different clothing allowances received by the union employees for safety gear (Section 4), and coveralls and thermal underwear (Section 5). The contract provided for the employees to be reimbursed for their purchases. Section 4 indicates safety gear will be furnished to each employee and department on the basis of need for an amount not to exceed \$50 one time a year for employees required to wear safety or puncture resistant boots.

Section 5 provides employees who work outside all year were entitled to an allowance of \$150 for garbage department personnel and \$65 for other personnel to purchase insulated outerwear and/or insulated underwear.

We reviewed all purchases either submitted for reimbursement or charged on the City's accounts, or City charge cards and identified the following instances where an employee exceeded the allowance described in the union contract:

Employee	Amount Exceeding Allowable Boot Allowance during 1999 and/or 2000	Amount Exceeding Allowable Clothing Allowance during 1999 and/or 2000	Total Amount in Excess of the Union Allowances
Paul Sexton	\$200		200
Paul Sexton, Jr.		65	65
Larry Fisher	200	5	205
Donald Hodge	195		195
James Morris	200		200
Ron Aldridge	100		100
Bob Kinkaid	100		100
Shalan Rhea	200		200
Roger Fisher	209		209
Steve Keefer	<u>200</u>		<u>200</u>
	<u>\$1,604</u>	<u>\$70</u>	<u>\$1,674</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

After the purchase occurred, a requisition, the related VISA statement and the attached credit card slips were submitted to Ron Speakman, Safety/Service Director, for his approval. Upon his approval, the payments were issued which resulted in the employees receiving benefits in excess of the amount stated in the union contract.

As of May 20, 2002, the following reimbursements, totaling \$960, have been received from City employees for benefits received in excess of the union contract:

March 20, 2002: Paul Sexton, \$200; Paul Sexton Jr., \$65; Donald Hodge, \$195; and Shalan Rhea, \$200

March 22, 2002: Steve Keefer, \$200

March 27, 2002: Bob Kinkaid, \$100

We will issue a finding for recovery against the above-named individuals less the above-mentioned monies repaid, for their respective amounts and for \$714 against Ron Speakman and his bonding company, jointly and severally, for monies illegally expended in excess of the approved union contract.

We also identified 7 employees who exceeded their clothing and/or boot allowances by a total of \$203. The City should review the overpayments and contact the employees to obtain a refund of the monies paid in excess of the approved allowance in the union contract.

In addition, the union contract provided that the employees were to be reimbursed for their costs of the items. Instead, the City allowed the employees to charge the boots and clothes on either the City's open accounts or its credit card. We will recommend that the City adhere to the terms of the union contract and require employees to submit reimbursement requests for boot and clothing purchases.

A review of the employees' Form W-2s indicated the City did not include the clothing allowance as a taxable fringe benefit as required by 26 CFR Section 1.6041-2.

Educational Incentive

Article 37, Professional Incentives, Part A of the Fraternal Order of Police Union contracts provides those Bargain Unit members who have completed three years service shall receive incentives of \$200, \$400, or \$600 for earning either an Associates, Bachelor's or Graduate degree or 400, 800 or 1,000 hours of training, respectively.

Part B indicates the incentive shall be paid in one lump sum during the first pay period of December each year. Each year, the training hours were submitted to the Safety/Service Director who completed a payment request form authorizing the payment of the educational incentive. The payment request form was then submitted to the City Auditor's Office for payment.

We obtained the training hours for all of the police officers who received an educational incentive payment. We compared the recorded training hours to the documentation supporting the hours to verify the officers should have received an incentive payment and noted the following errors:

- ▶ Robert Campbell earned 740 hours of training. The City had no record that Mr. Campbell had obtained an Associates, Bachelor's or Graduate degree. Based on the union agreement, Mr. Campbell was entitled to an educational incentive of \$200 for 1999 and 2000. However, the City issued 2 checks each in the amount of \$400 to Mr. Campbell in 1999 and 2000 for his educational incentive. These checks were generated by the approval of a Request for Payment form signed by Ron Speakman. As a result, Mr. Campbell was overcompensated \$200 each year for a total of \$400. We will issue a finding for recovery against Robert Campbell and his bonding company and Ron Speakman and his bonding company, jointly and severally, for public monies illegally expended in the amount of \$400 in favor of the City's General Fund.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ Thomas Aldrich earned 842.75 hours of training for fiscal year 1999 and 930.75 hours of training for fiscal year 2000. The City had no record that Mr. Aldrich had obtained an Associates, Bachelor's or Graduate degree. Based on the union agreement, Mr. Aldrich was entitled to an educational incentive of \$400 for 1999 and 2000. However, the City issued 2 checks each in the amount of \$600 to Mr. Aldrich in 1999 and 2000 for his educational incentive. These checks were generated by the approval of a Request for Payment form signed by Ron Speakman. As a result, Mr. Aldrich was overcompensated \$200 each year for a total of \$400. We will issue a finding for recovery against Thomas Aldrich and his bonding company and Ron Speakman and his bonding company, jointly and severally, for public monies illegally expended in the amount of \$400 in favor of the City's General Fund.

A review of the employees' Form W-2s indicated the City did not include the educational incentive as a taxable fringe benefit as required by 26 CFR Section 1.6041-2.

Mileage Stipend

Jeff Ridgeway, City Maintenance employee, received a \$300 quarterly stipend for mileage because he used his personal truck to transport him while performing maintenance at the City's buildings. 26 C.F.R. Section 1.6041-2 provides that wages, as defined in 26 U.S.C. Section 3401, are to be reported on a Form W-2, or all other payments of compensation are to be reported on a form 1099. 26 United States Code Section 3402 states "every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computational procedures prescribed by the Secretary of the Treasury." This \$1,200 stipend was not included on Mr. Ridgeway's 2000 W-2 as income.

The City provides City vehicles for various supervisors to commute between work and their residence. The value of the commute between the home and residence when it is not the result of a "call out" is considered a taxable fringe benefit by Internal Revenue Code (26 U.S.C. Section 132 Section 5) and should be reported on the employee's W-2. This taxable fringe benefit was not included on either the 1999 or 2000 W-2 for the following supervisors: Ron Speakman, Melvin Davis, Jim Norris, Jeff Cohan, Don Mercer, Revis Osborne, Steve Keefer, and Phil Denney.

We will recommend the City issue corrected Form W-2's to the above individuals and submit copies of those Form W-2's to the Internal Revenue Service.

Section 6.01 Subsection F of the City's Personnel Policies and Procedures Manual (Updated January 1999) states that "unless otherwise provided in a negotiated agreement a mileage allowance of not more than twenty-five cents (\$.25) per mile may be allowed and paid for use of private automobiles." During the period of 1999 through December 31, 2000, the City reimbursed several non-union city employees at a rate of thirty-one cents per mile. These employees did not fall under the negotiated union agreement and should have been reimbursed mileage at a rate of only \$.025 per mile.

FINDING FOR RECOVERY REPAID UNDER AUDIT

Harding Avenue Paving Work (Page 40)

On September 2, 1998, the City paid \$122,264 to Shelly & Sands Inc., for paving work. Included in the paving work was the paving of the parking lot at Jackson Hardware. Jackson Hardware did not reimburse the City for the \$3,850 expended for the paving work performed by Shelly & Sands.

We considered issuing a finding for recovery. On January 8, 2002, Ron Speakman, Safety/Service Director, entered into an agreement with Jackson Hardware for the owner to repay the \$3,850 over a period of 4 years at a rate of 4% interest. We consider this a finding for recovery repaid under audit.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Personal Services to Ron Speakman (Pages 36-37)

Sworn interviews and depositions with City employees provided the following instances where the employee performed work on City time on personal assets owned by the Safety/Service Director, Ron Speakman:

- ▶ The City incurred \$255 in labor costs for work performed by Randy Hughes, Mechanic, on Mr. Speakman's personal lawnmowers.
- ▶ The City incurred \$40 in labor costs for work performed by Randy Hughes and George Bapst, Mechanics, on Mr. Speakman's personal vehicles.
- ▶ The City incurred labor costs of \$46 for work performed by Jeff Ridgeway, City Maintenance employee, at Mr. Speakman's personal residence.
- ▶ The City incurred labor costs of \$37 for Mr. Ridgeway replacing knobs on Mr. Speakman's camper.
- ▶ The City incurred labor costs of \$18 for Mr. Ridgeway transporting gasoline to Mr. Speakman's daughter.

We proposed a finding for recovery for these items. On March 27, 2002, Ron Speakman reimbursed the City \$396 for labor costs incurred by the City for work performed on assets owned by Mr. Speakman. We consider this a finding for recovery repaid under audit.

200 Amp Electric Panel (Page 35)

On September 12, 2000, Roger Fisher, Electric Department Supervisor, purchased a 200-AMP electric panel, breakers, and other supplies to install an electric panel at Ron Speakman's residence. The materials purchased by Mr. Fisher totaled \$274 and were charged on the City's charge account. In addition, Mr. Fisher performed the installation on City time resulting in labor costs of \$274.

We proposed a finding for recovery for the panel installation. On March 27, 2002, Ron Speakman reimbursed the City \$548 for material and labor costs for the installation of the electric panel at his residence. We consider this a finding for recovery repaid under audit.

CDBG Revitalization Grant (Page 23-24)

The City paid \$2,786 to Harold Howe in November 2000 from its CDBG Revitalization Grant funds. Of this amount, \$895 was for the installation of an 18' wide canvas awning at 233 Broadway Street. As of October 2001, the awning had not been installed. The City reimbursed Harold Howe \$895 for half of the price of an awning that was never purchased or installed.

We proposed a finding for recovery for this item. On May 8, 2002, Mr. Howe provided documentation supporting the installation of the awning at 233 Broadway. We verified the awning was installed as of May 20, 2002. We consider this a finding for recovery repaid under audit.

Unallowable VISA Charges (Pages 15-16)

On December 30, 1992, the Mayor sent a memo to all City employees detailing allowable and unallowable credit card usage. The policy also provided any charges on the VISA credit card must be supported by an itemized receipt and the credit card receipt for each and every charge. The policy also stated "failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge." We proposed Findings for Recovery for instances of violations of this policy.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Of the unallowable charges identified, the following individuals reimbursed the City a total of \$734 for charges on the City VISA which violated the City policy:

<u>Employee</u>	<u>Amount of VISA Charges Incurred by Employee Not in Accordance with City Credit Card Policy</u>
Carl Barnett	\$411
J.T. Evans	16
Ron Speakman	26
Shalan Rhea	118
Steve Keefer	<u>163</u>
	<u>\$734</u>

We consider the reimbursement from the above mentioned employees as findings for recovery repaid under audit.

Clothing and Boot Allowance (Pages 47-48)

AFSCME Contract Article 23 Sections 4 and 5 describe the different clothing allowances received by the union employees for safety gear (Section 4), and coveralls and thermal underwear (Section 5). Section 4 indicates safety gear will be furnished to each employee and department on the basis of need for an amount not to exceed \$50 one time a year for employees required to wear safety or puncture resistant boots. Section 5 provides employees who work outside all year were entitled to an allowance of \$150 for garbage department personnel and \$65 for other personnel to purchase insulated outerwear and/or insulated underwear.

We reviewed all purchases either submitted for reimbursement or charged on the City's accounts, or City charge cards and identified the following instances where an employee exceeded the allowance described in the union contract and we proposed findings for recovery:

<u>Employee</u>	<u>Amount Exceeding Boot Allowance during 1999 and/or 2000</u>	<u>Amount Exceeding Clothing Allowance during 1999 and/or 2000</u>	<u>Total Amount in Excess of the Union Allowances</u>
Paul Sexton	\$200		200
Paul Sexton Jr.		65	65
Donald Hodge	195		195
Bob Kinkaid	100		100
Shalan Rhea	200		200
Steve Keefer	<u>200</u>		<u>200</u>
	<u>\$895</u>	<u>\$65</u>	<u>\$960</u>

The above employees reimbursed the City a total of \$960 in March 2000 for benefits received in excess of the union contract. Therefore, we consider these findings for recovery repaid under audit.

Overtime Overpayment (Page 46)

Mr. Melvin Davis was paid for 26.54 hours of overtime at a rate of \$28.05 per hour for the pay period ending January 12, 2000. His compensated hourly rate was \$17.80 for each regular hour of work and \$26.70 for each hour of overtime work. As a result, Mr. Davis was paid an additional \$1.35 per overtime hour or \$35.

We proposed a finding for recovery for the overtime overpayment. On April 10, 2002, Mr. Davis reimbursed the City \$35 for the overtime overpayment. We consider this a finding repaid under audit.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

FINDINGS FOR RECOVERY

Payments to HMI (Page 14)

In January and February 2000, the City paid a total of \$28,000 to HMI, Inc. The \$28,000 was related to the relocation of AEP's electric poles. The poles were actually relocated by AEP for which they received payment of \$23,676 from JP Ltd., in March 2001. Neither the City nor HMI, Inc., could provide documentation to support that HMI, Inc., performed any services for the \$28,000 it received.

We considered issuing a finding for recovery of \$28,000 against HMI, Inc. On November 28, 2001, HMI, Inc., refunded \$4,323 to the City.

In accordance with the foregoing facts, we will consider the \$4,323 as a finding repaid under audit and pursuant to Ohio Rev. Code Section 117.28, issue a finding for recovery of \$23,677 against HMI, Inc., for public monies illegally expended and in favor of the City's Electric Fund.

Personal Services to Ron Speakman (Pages 36-37)

In addition to instances noted in the Findings for recovery repaid under audit portion of this Issue, sworn interviews and depositions with City employees provided the following instances where the employee performed work on City time on personal assets owned by the Safety/Service Director, Ron Speakman:

- ▶ The City incurred \$8 in labor costs for work performed by Randy Hughes, Mechanic, on Mr. Speakman's personal garden equipment.
- ▶ The city incurred labor costs of \$24 for Roger Fisher and Butch Morris, Electric Department Employees, purchasing a 4" water valve from Jerry's Do It Center and delivering it to Mr. Speakman.

These labor costs do not reflect expenses made for a valid proper public purpose per the Ohio Supreme Court's ruling in State ex. rel. McClure v. Hagerman, 155 Ohio St. 320 (1951). In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we are issuing a finding for recovery of \$32 against Ron Speakman and his bonding company, Ohio Farmers Insurance, jointly and severally, for public monies illegally expended in favor of the City's General Fund.

L & H Water & Storage Tank (Page 29-30)

In April of 1993, the City contracted with L & H Water & Storage Tank (L & H) to repaint the City's water tank. A letter dated April 29, 1993 from L & H to the City requested the City agree to forward payment to Commercial Savings Bank in Upper Sandusky, Ohio on behalf of L & H for the bank to extend credit to L&H. This assignment was made by L & H to Commercial Savings bank as security for a loan in the amount of \$44,550. The agreement was signed by the Mayor on May 12, 1993. The City made payments to four subcontractors and L&H instead of the Commercial Savings Bank. On September 12, 2000, an appeals court reversed a trial court's decision indicating the case was remanded to the trial court with a judgement in favor of the bank. On November 21, 2000, the City issued a check to Commercial Savings Bank in the amount of \$35,174.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$26,873 against L & H Water Tank Storage, of \$1,787 against Jackson Implement, and of \$4,700 against Detroit Tarpaulin for monies illegally expended in favor of the City's Water Fund. In addition, we hereby issue a finding for adjustment against the Electric Fund in favor of the Water Fund for \$1,814.

Payments to Industrial Hydraulics (Page 33)

In March 2000, the City paid \$1,322 to Industrial Hydraulics for payment of the same invoice twice which resulted in an overpayment of \$661.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$661 against Industrial Hydraulics for public monies illegally spent in favor of the City's Electric Fund.

Railroad Maintenance (Pages 20-21)

In September 2000, the City issued two checks totaling \$10,998 to the Burke-Parsons-Bowlby Corp., at the request of the Great Miami & Scioto Railway Company to pay for the purchase of railroad ties which replaced ties on the track owned by the City. Section 7 of the Short Line Railroad Agreement, which assigned ownership of that section of the railroad to the Great Miami & Scioto Railway Company by the Indiana and Ohio Railroad in December 1993, stated:

“The Railroad shall at its expense repair and maintain the Short Line Properties south of Hamden to a condition known as “a solid FRA Class I Standard.” The Railroad shall also at its expense repair and maintain the Short Line Properties at Hamden and points west to a condition known as “a solid FRA Class II Standard.” As a result, the City unnecessarily paid the legal obligation of a private company.

In addition, neither the City nor Great Miami & Scioto Railway Company could provide documentation to support where the purchased rail road ties were used.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$10,998 against the Great Miami & Scioto Railway Company in favor of the City for monies expended by the City in violation of the agreement with the Great Miami & Scioto Railway Company.

Unallowable VISA Charges (Pages 15-16)

On December 30, 1992, the Mayor sent a memo to all City employees detailing allowable and unallowable credit card usage. The policy also provided any charges on the VISA credit card must be supported by an itemized receipt and the credit card receipt for each and every charge. The policy also stated “failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge.”

In addition to those noted in the Findings for recovery repaid under audit section, we identified charges totaling \$689 for room service (\$477), tips (\$139), movies (\$59), and alcohol (\$14) which were unallowable per the policy. In addition, there were numerous instances totaling \$4,779 where only the itemized receipt (\$1,248) or the credit card receipt (\$3,531) were available for review. There were also charges totaling \$1,968 with no supporting documentation. These unallowable charges, including those he personally made, were approved for payment by Mr. Speakman.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$7,436²³ against Ron Speakman and his bonding company, Ohio Farmers Insurance, jointly and severally, in favor of the City's General Fund.

In addition to those noted in the Findings for recovery repaid under audit section, we identified the following

²³ See footnote No. 2.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

individuals were responsible for charges to the City VISA which violated the City policy:

Employee	Amount of VISA Charges Incurred by Employee Not in Accordance with City Credit Card Policy
J.T. Evans	\$158
Maria Stiffler	303
Roger Fisher	361
Ted Penix	1,207
Thomas Aldrich	377
	<u>\$2,406</u>

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue findings for recovery in the individual amounts against the above individuals and their bonding company, Ohio Farmers Insurance, in favor of the City for public monies illegally expended.

Salary and Overtime Overpayment (Pages 42, 46)

City Council approved Ordinances 92-98 and 70-99 which set the annual amounts of compensation for the department heads and certain management employees effective September 1st of each year. Upon approval of each Ordinance, Ron Speakman provided an approved Payroll Status Change form to the City Auditor's Office with the employee's new pay rate.

The following table reflects overpayments to certain City employees based on a comparison of compensation for regular hours and the annual amount of compensation²⁴ effective for the period September 1, 1998 through the last pay period in August 2000:

Employee	Overpayment
Melvin Davis	103
William McManis	1,274
Jeffrey Coyan	313
	<u>\$1,690</u>

We also noted the following errors in overtime compensation to City employees which will be included in the findings for recovery:

- ▶ Mr. McManis was paid for 19.8 hours at a rate of \$29.29 per overtime hour for the pay period ending January 12, 2000. His compensated hourly rate was \$18.15 for each regular hour of work and \$27.23 for each hour of overtime work. As a result, Mr. McManis was overcompensated \$2.07 an hour for overtime work or \$40.
- ▶ Mr. Coyan was paid for 16.5 hours at a rate of \$31.22 per overtime hour for the pay period ending January 12, 2000. His compensated hourly rate was \$19.70 for each regular hour of work and \$29.55 for each hour of overtime work. As a result, Mr. Coyan was overcompensated \$1.67 an hour for overtime work or \$27.

Based on the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against the above-named employees, and their bonding company, Ohio Farmers Insurance, jointly and severally, in the individual amounts and against Ron Speakman and his bonding company, Ohio Farmers Insurance, for \$1,757 for public monies illegally expended in favor of the City's Street Fund for \$78, the Water Fund for \$340, the Garbage Fund for \$25, and the Electric Fund for \$1,314.

²⁴The annual rate of compensation was calculated as the amount authorized by City Council plus the hourly stipends for longevity, non-participation in the City's health insurance, and for licenses held.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Sally Penix Overtime (Pages 46-47)

Based on a review of the overtime request forms identifying the hours of overtime worked and the payroll registers identifying the hours of overtime compensated, we noted Sally Penix, Police Department Dispatcher, was paid for 465 overtime hours of which only 395.85 hours were supported by request forms. Ms. Penix was overcompensated for 60.15 hours or \$1,469. In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$1,469 against Sally Penix, Ted Penix, and Ohio Farmers Insurance, their bonding company, jointly and severally, for public monies illegally expended in favor of the City's General Fund.

Educational Incentive Paid to Robert Campbell (Pages 48-49)

Article 37, Professional Incentives, Part A of the Fraternal Order of Police Union contract provided that Bargain Unit members who have completed three years service shall receive incentives of \$200, \$400, or \$600 for earning either an Associates, Bachelor's or Graduate degree or 400, 800 or 1,000 hours of training, respectively. The City had no record that Mr. Campbell had obtained an Associate, Bachelor's or Graduate degree. Based on the union agreement and documentation supporting 740 training hours, Robert Campbell should have received an educational incentive of \$200 for 1999 and \$200 for 2000. However, the City issued a check in the amount of \$400 to Mr. Campbell in 1999 and \$400 in 2000. The payments were generated by the approval of a Request for Payment form signed by the Safety/Service Director, Ron Speakman. As a result, Mr. Campbell was overcompensated \$200 each year for a total of \$400.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$400 against Robert Campbell, Ron Speakman, and Ohio Farmers Insurance, their bonding company, jointly and severally, for public monies illegally expended in favor of the City's General Fund.

Educational Incentive Paid to Thomas Aldrich (Pages 48-49)

Article 37, Professional Incentives, Part A of the Fraternal Order of Police Union contract provided Bargain Unit members who have completed three years service shall receive incentives of \$200, \$400, or \$600 for earning either an Associates, Bachelor's or Graduate degree or 400, 800 or 1,000 hours of training, respectively. The City had no record that Mr. Aldrich had obtained an Associate, Bachelor's or Graduate degree. Based on the union agreement and documentation supporting 842.75 training hours for 1999 and 930.75 for fiscal year 2000, Thomas Aldrich should have received an educational incentive of \$400 for 1999 and \$400 for 2000. However, the City issued the educational incentive check in the amount of \$600 to Mr. Aldrich in 1999 and \$600 in 2000. The payments were generated by the approval of a Request for Payment form signed by the Safety/Service Director, Ron Speakman. As a result, Mr. Aldrich was overcompensated \$200 each year for a total of \$400.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$400 against Thomas Aldrich, Ron Speakman, and Ohio Farmers Insurance, Their bonding company, jointly and severally, for public monies illegally expended in favor of the City's General Fund.

Clothing and Boot Allowance (Pages 47-48)

AFSCME Contract Article 23 Sections 4 and 5 describe the different clothing allowances received by the union employees for safety gear (Section 4), and coveralls and thermal underwear (Section 5). Section 4 indicates safety gear will be furnished to each employee and department on the basis of need for an amount not to exceed \$50 one time a year for employees required to wear safety or puncture resistant boots. Section 5 provides employees who work outside all year were entitled to an allowance of \$150 for garbage department personnel and \$65 for other personnel to purchase insulated outerwear and/or insulated underwear.

We reviewed all purchases either submitted for reimbursement or charged on the City's accounts, or City charge cards and identified the following instances where an employee exceeded the allowance described in the union contract in addition to those in our findings for recovery repaid under audit:

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Employee	Amount Exceeding Boot Allowance during 1999 and/or 2000	Amount Exceeding Clothing Allowance during 1999 and/or 2000	Total Amount in Excess of the Union Allowances
Larry Fisher	200	5	205
James Morris	200		200
Ron Aldridge	100		100
Roger Fisher	<u>209</u>		<u>209</u>
	<u>\$709</u>	<u>\$5</u>	<u>\$714</u>

After the purchase occurred, a requisition, the related VISA statement and the credit card slips were submitted to Ron Speakman, Safety/Service Director, for his approval. Upon his approval the payments were issued resulting in the employees receiving benefits in excess of the amount stated in the union contract.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against the above-named individuals for their respective amounts and for \$714 against Ron Speakman and their bonding company, Ohio Farmers Insurance, jointly and severally, for monies illegally expended in excess of the approved union contract.

FINDINGS FOR ADJUSTMENT

Transfers From the Utility Funds to the General Fund (Page 34)

Ohio Rev. Code Sections 5705.14 to 5705.16 provide that with certain listed exceptions, "(n)o transfer shall be made from one fund of a subdivision to any other fund." In addition to the exceptions in Ohio Rev. Code Sections 5705.14 and 5705.15, pursuant to Ohio Rev. Code Section 5705.16, a subdivision may transfer funds under its supervision from one fund to another with approval of the State Tax Commissioner and the Court of Common Pleas.

Each year the City Auditor's Office received an amount for that year's total transfers from the Safety/Service Director. We contacted the Safety/Service Director to obtain an explanation and supporting documentation for the calculation of the amounts transferred. The Safety/Service Director indicated the transfers were included as part of the annual budget approved by Council or included in Ordinances approved by Council.

The City was unable to provide documentation to support that the transfers were in accordance with Ohio Rev. Code Sections 5705.14 to 5705.16 or that they met one of the exceptions permitted in those sections.

For the period January 1, 1989 through December 31, 2001, the City transferred \$1,660,090 from the Water Fund, \$1,945,533 from the Sewer Fund, \$178,463 from the Garbage Fund, and \$2,272,176 from the Electric Fund to the General Fund. These transfers totaling \$6,056,262 were not permitted by the Ohio Rev. Code.

A finding for adjustment is issued against the General Fund for \$6,056,262 in favor of the Water Fund for \$1,660,090, the Sewer Fund for \$1,945,533, the Garbage Fund for \$178,463, and the Electric Fund for \$2,272,176.

Salary Allocation (Pages 42-45)

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." During 1999 and 2000, the City allocated the salaries of 14 employees to different funds based on what they felt was the amount of time spent for their duties related to that fund. Upon inquiry, the City indicated they did not employ a cost allocation plan or maintain supporting documentation to support the payroll allocation percentages. We obtained weekly time summaries for 1998 and 1999 from the City which indicated the daily percentage of time spent performing duties for various funds for 3 of the 14 employees. Complete time summaries were not available for the other 11 employees.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

For those 3 employees only, we recalculated the allocation and the following table shows a comparison by fund of actual wages recorded as an expense in the fund and the amount that should have been allocated based on the time summaries provided by the City:

Fund	Amount Allocated for 1999 and 2000	Amount That Should Have Been Allocated**	Variance
General	\$29,101	\$11,116	\$17,985
Street	101,735	106,150	(4,415)
Cemetery	0	11,272	(11,272)
Fire	0	2,139	(2,139)
Recreation	0	97	(97)
Water	42,671	38,664	4,007
Sewer	55,179	36,273	18,906
Garbage	76,583	85,972	(9,389)
Electric	42,671	56,257	(13,586)
	<u>\$347,940</u>	<u>\$347,940</u>	<u>\$0</u>

** - This was calculated by taking the % of allocation per fund from the previous year's times study times the total of wages and fringe benefits for each year identified by the City Auditor's Office.

A finding for adjustment is issued against the Street Fund for \$4,415, the Cemetery Fund for \$11,272, the Fire Fund for \$2,139, the Recreation Fund for \$97, the Garbage Fund for \$9,389, and the Electric Fund for \$13,586 in favor of the General Fund for \$17,985, the Water Fund for \$4,007, and the Sewer Fund for \$18,906.

For the following findings for adjustment, the City charged costs entirely or disproportionately to funds which did not appear to receive any benefit or a proportional benefit equal to the cost(s) incurred. The City has not developed a formal cost allocation plan and was unable to provide documentation to support the reasoning or methodology for allocating the costs as they did.

Electric Fund

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." During the Period, the City used an enterprise fund (Electric Fund) to account for the revenues received and expenses incurred for providing electric service to the residents of Jackson. The City charged the residents user fees based on the amount of electric used.

We noted the following expenses recorded in the Electric Fund which were not related to the cost of providing electric service directly or indirectly to customers:

- ▶ The City paid \$1,500 for a loan commitment fee for a railroad loan. This expense should have been recorded in the Railroad Fund. (Page 20)
- ▶ The City paid \$18,745 for a 2000 Jeep Cherokee which was recorded as an asset of the City Garage. The Street Superintendent's salary, who drives this vehicle, was allocated 75% to the Street Fund and 25% to the Garbage Fund. This expense should have been recorded in the Street Fund for \$14,059 and the Garbage Fund for \$4,686. (Page 18)
- ▶ The City paid \$4,000 to conduct a survey for the purpose of locating the railroad right of way. This expense should have been recorded in the Railroad Fund. (Page 20)
- ▶ The City paid \$5,325 toward a county-wide geographical mapping system for which the City had not provided its utility line information to the County for inclusion in the system as of December 31, 2000. These expenses should have been recorded in the General Fund. (Page 22)
- ▶ The City paid \$13,010 for a 1999 Ford F-150 Pickup. The truck was listed as an asset of the Water Department, however, was maintained and used by the Water maintenance employee. This expense should have been recorded in the Water Fund. (Page 18)

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ The City paid \$648 for street sweeper supplies. The street sweeper was listed as an asset of the City Garage. This expense should have been recorded in the Sewer and Street Funds for \$324 each. (Page 34)
- ▶ In 1999 and 2000, the City issued 3 separate checks of \$6,000 each to the Jackson County Economic Development Board for contributions for 1999, 2000 and 2001. While the expense could be deemed to benefit the Electric Fund, it also benefits other funds of the City. Since the City was unable to provide documentation to support a reasonable allocation of the expense and the expense benefits more than solely the Electric Fund, the expense (\$18,000) should be recorded in the General Fund. (Page 25)
- ▶ The City paid \$1,894 for a monitor and computer for the Safety/Service Director's Office. While the expense could be deemed to benefit the Electric Fund, it also benefits other funds of the City. The allocation of the expense should be to the funds receiving the benefit or to the General Fund as no one fund benefits 100% from this expense. This expenditure should have been recorded as an expense equally between the General, Water, Sewer, Electric and Garbage Funds. (Page 21)
- ▶ The City paid \$2,995 for a copier from the Gordon Flesch Company. The copier was received by Ron Speakman, Safety/Service Director. The copier was used by several different City departments and does not benefit only the Electric Fund. Therefore, the expense of the copier should have been recorded in the General Fund. (Pages 32-33)

Based on the above expenses being recorded incorrectly in the Electric Fund, we are issuing a finding for adjustment against the General Fund for \$26,699, the Garbage Fund for \$5,065, the Railroad Fund for \$5,500, the Water Fund for \$13,389, the Sewer Fund for \$702, the Electric Fund for \$379 and the Street Fund for \$14,383 in favor of the Electric Fund for \$66,117.

Sewer Fund

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." During the Period, the City used an enterprise fund (Sewer Fund) to account for the revenues received and expenses incurred for providing sewer to the residents of Jackson. The City charged the residents user fees for sewage treatment to the residents based on an amount of water used.

We noted the following expenses recorded in the Sewer Fund which were not related to the cost of providing sewer service directly or indirectly to customers:

- ▶ The City paid \$19,980 for the purchase of a 2000 tractor. \$9,990 of the purchase was recorded in the Sewer Fund. The tractor is maintained at the City Garage, listed as an asset of the Street Department and is used by other departments on only an occasional basis. Therefore, this expense should have been recorded in the Street Fund. (Page 17)
- ▶ The City paid \$1,084 toward a county-wide geographical mapping system for which the City had not provided its utility line information to the County for inclusion in the system as of December 31, 2000. Therefore, this expense should have been recorded in the General Fund. (Page 22)
- ▶ The City paid \$90,576 for the purchase of a street sweeper and its related equipment. These expenses should have been recorded in the Sewer and Street Funds for \$45,288 each. (Page 34)

Based on the above expenses being recorded incorrectly in the Sewer Fund, we are issuing a finding for adjustment against the General Fund for \$1,084, the Street Fund for \$55,278, and the Sewer Fund for \$45,288 in favor of the Sewer Fund for \$101,650.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Water Fund

Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” During the Period, the City used an enterprise fund (Water Fund) to account for the revenues received and expenses incurred for providing water service to the residents of Jackson. The City charged the residents user fees based on an amount of water used.

We noted the following expenses recorded in the Water Fund which were not related to the cost of providing water service directly or indirectly to customers:

- ▶ The City paid \$1,084 toward a county-wide geographical mapping system for which the City had not provided its utility line information to the County for inclusion in the system as of December 31, 2000. Therefore, this expense should have been recorded in the General Fund. (Page 22)
- ▶ The City paid \$19,980 for the purchase of a 2000 tractor. \$9,990 of the purchase was recorded in the Water Fund. The tractor is maintained at the City Garage, listed as an asset of the Street Department and is used by other departments on only an occasional basis. Therefore, this expense should have been recorded in the Street Fund. (Page 17)

Based on the above expenses being recorded incorrectly in the Water Fund, we are issuing a finding for adjustment against the General Fund for \$1,084 and the Street Fund for \$9,990 in favor of the Water Fund for \$11,074.

Purchase of an International Dump Truck (Page 18)

In March 2000, the City purchased an International Dump Truck with check 39897 in the amount of \$47,531 which was recorded as an expense in the Electric Improvement Fund. Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” The truck was listed as a Street Department asset and usually used for Street and Alley Department activities. Therefore, the cost of the truck should have been recorded as an expense of the Street Fund.

A finding for adjustment is issued against the Street Fund for \$47,531 in favor of the Electric Improvement Fund.

1999 Jeep Grand Cherokee (Page 18)

On July 13, 1999, the City purchased a 1999 Jeep Grand Cherokee in the amount of \$12,708. The cost of the Jeep was allocated equally in the amount of \$4,236 to the Water, Sewer Improvement, and Electric Improvement Funds. Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” Based on an allocation of Mr. Speakman’s salary, the cost of the Jeep to perform his duties should have been allocated equally in the amount of \$2,542 to the General, Water, Sewer, Garbage, and Electric Funds.

A finding for adjustment of \$2,542 is issued against the General, Water, Sewer, Garbage, and Electric Funds each, in favor of the Water, Sewer Improvement, and Electric Improvement Funds for \$4,236 each.

Roof Repair on Sundry Building (Pages 26-27)

City Council approved Ordinance 88-99 authorizing the allocation of the cost to renovate the Jackson Police Station Roof as follows: \$10,000 to the Water Fund; \$10,000 to the Sewer Fund; \$1,500 to the Garbage Fund; and \$17,200 to the Electric Fund. The building which houses the police station also houses the Utilities Department and Council Chambers. The City recorded the asset in different funds based on the square footage. Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” Based on square footage of the departments occupying the building, the cost should have been allocated \$25,542 to the General Fund for the Police Department; \$6,192 to the General Fund for Council Chambers and the remaining \$6,966 divided equally between the Electric, Water, Sewer and Garbage Funds for the Utilities Office.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A finding for adjustment is issued against the General Fund for \$31,734, the Water Fund for \$1,742, the Sewer Fund for \$1,741, the Garbage Fund for \$1,742, and the Electric Fund for \$1,741 in favor of the Water Fund for \$10,000, the Sewer Fund for \$10,000, the Garbage Fund for \$1,500, and the Electric Fund for \$17,200.

Purchase of a 2 ½ ton Dump Truck (Page 34)

In November 1998, the City purchased a 2 ½ ton dump truck for \$46,775 and allocated the cost of the dump truck to the Water Improvement Fund for \$15,599, the Sewer Improvement Fund for \$15,599, and the Electric Fund for \$15,577. The dump truck is listed as a Water Department asset, however, this truck is used and maintained at the City Garage by the Street and Alley Department. In a response dated May 17, 2002, Mr. Speakman provided a memo supporting the use of the truck by the Water and Sewer Department for maintenance. Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” Therefore, the cost of the truck should have been recorded as an expense of the Water Fund for \$23,387 and Sewer Fund for \$23,388.

A finding for adjustment is issued against the Water Fund for \$23,387 and the Sewer Fund for \$23,388 in favor of the Water Improvement Fund for \$15,599, the Sewer Improvement Fund for \$15,599, and the Electric Fund for \$15,577.

Attorney Fees (Pages 18-19)

The City contracts with John “Jack” Detty to provide legal services as City Law Director. During the Period, Mr. Detty submitted invoices on a monthly basis to the City. The invoices provided descriptions of the work performed but did not describe to which fund the work related. The City paid Mr. Detty \$42,264 for 1999 and \$43,641 for 2000.

The City recorded these expenses in the following amounts and funds:

Fund	1999	2000	Total
General	\$13,935	\$13,143	\$27,078
Water	8,000	10,543	18,543
Sewer	10,570	9,879	20,449
Garbage	1,000	414	1,414
Electric	<u>8,759</u>	<u>9,662</u>	<u>18,421</u>
	<u>\$42,264</u>	<u>\$43,641</u>	<u>\$85,905</u>

Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” At our request, Mr. Detty identified the funds related to the work performed. For those he was unable to identify the relationship to a City fund, the services were general in nature and did not indicate a relationship to the Water, Sewer, Garbage or Electric funds. Therefore, those services should have been recorded as an expense in the General Fund.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The following table indicates a summary of the allocation of expenses based on Mr. Detty's response:

Fund	1999	2000	Total
General	\$39,639	\$41,488	\$81,127
Water	1,103	985	2,088
Sewer	263	389	652
Garbage	218	57	275
Electric	245	65	310
Street	0	123	123
Flood Mitigation	779	166	945
Railroad	17	368	385
	<u>\$42,264</u>	<u>\$43,641</u>	<u>\$85,905</u>

A finding for adjustment is issued against the General Fund for \$81,127, the Water Fund for \$2,088, the Sewer Fund for \$652, the Garbage Fund for \$275, the Electric Fund for \$310, the Street Fund for \$123, the Flood Mitigation Fund for \$945, and the Railroad Fund for \$385 in favor of the General Fund for \$27,078, the Water Fund for \$18,543, the Sewer Fund for \$20,449, the Garbage Fund for \$1,414, and the Electric Fund for \$18,421.

Street Paving (Page 27)

In 2000, the City hired Shelly and Sands Inc., to pave streets identified by City Council which were based on the normal wear and tear on the roads. The City recorded a portion of the expense in the Water (\$10,000), Sewer (\$28,196), and Cemetery (\$7,000) funds. Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." Invoices did not indicate paving was performed as a result of work performed on water or sewer lines or within the cemetery. As a result, the paving should have been recorded as an expense of the Street Fund.

Therefore, a finding for adjustment is issued against the Street Fund for \$45,196 and in favor of the Water Fund for \$10,000, the Cemetery Tax Levy Fund for \$7,000, and the Sewer Fund for \$28,196.

Bureau of Workers Compensation Charges (Pages 19-20)

The City paid the Bureau of Workers Compensation premiums in the 1999 and 2000 from the following funds:

Table 1

Fund Charged	Amount of Expense Recorded FY 1999	Amount of Expense Recorded FY 2000	Total
General Fund	\$19,200	\$10,346	\$29,546
Cemetery Fund	600	660	1,260
Street Fund	500	500	1,000
DARE	232		232
COPS FAST Grant	500	1,635	2,135
Fire Tax Levy Fund	500	296	796
Water	9,218	4,887	14,105
Sewer	11,266	4,775	16,041
Garbage	768	1,500	2,268
Electric	13,826	4,630	18,456
	<u>\$56,610</u>	<u>\$29,229</u>	<u>\$85,839</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” Workers compensation premiums are generally allocated based on payroll costs. We identified additional funds with payroll charges which should have incurred a portion of the Bureau of Workers Compensation premiums. The following table indicates the funds that should have been charged for the premiums based on payroll charges:

Table 2

Fund Charged	Amount of Expense to be Recorded to the Fund for FY 1999	Amount of Expense to Be Recorded to the Fund for FY 2000	Total
General Fund	\$25,262	\$13,436	\$38,698
Recreation	156	79	235
Water	9,557	4,687	14,244
Sewer	9,198	4,577	13,775
Garbage	3,652	1,845	5,497
Electric	8,376	4,428	12,804
Swimming Pool	409	177	586
	<u>\$56,610</u>	<u>\$29,229</u>	<u>\$85,839</u>

A finding for adjustment for the individual total amounts is issued against the funds in Table 2 in favor of the individual fund amounts listed in Table 1.

Purchases for Computer Equipment and Software Upgrades (Pages 21-22)

In 2000, the City Auditor’s Office, Utilities, and Mayor’s Offices upgraded their computer system which included a new server, monitors and software. The cost of the upgrade, \$34,481, was charged entirely to the utility funds. The City Auditor’s Office allocated the asset to the departments who benefitted from the upgrade based on the number of users and the remainder was allocated to the General Fund. Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.”

Using the City Auditor’s allocation of the asset, we determined the departments who received the direct benefit of the software upgrade totaling \$18,088 were as follows: Auditor’s Office \$6,866 for programs used by its personnel; Mayor’s Office \$3,018 for programs used by its personnel; and the Utilities Office \$8,204 for programs used by its personnel.

In addition, various hardware was purchased to complete the upgrade of the server which affected the City Auditor’s Office, Utilities Office and the Mayor’s Office. The hardware upgrade included the purchase of 25 editions of Lotus Notes which were installed on only 8 computers. Of these 8 computers, 5 were in the Utilities Office. Therefore, we allocated the cost of the 5 licenses (\$380) to the Utilities Office and the remainder, \$16,013 (\$1,520 plus the cost of the hardware upgrade of \$14,493), to the General Fund.

A finding for adjustment is issued against the General Fund for \$25,897, the Water Fund, Sewer Fund, Electric Fund, and Garbage Fund for \$2,146 $((\$8,204+380)/4)$ each, in favor of the Water Fund for \$12,456, the Sewer Fund for \$12,456, and the Electric Fund for \$9,569.

Cleaning Services (Page 23)

In 1999 and 2000, the City paid \$49,770 to clean the Council Chambers, the Utility Offices, and the Police Department. Ohio Rev. Code Section 5705.10 states “money paid into any fund shall be used only for the purposes for which such fund is established.” Vendor invoices identified the cost to clean each of the departments. We noted 8 instances where the cost of cleaning the Council chambers was charged in 4 instances to the Electric Fund (\$1,000); 3 instances to the Water Fund (\$750); and 1 instance to the Sewer Fund (\$250) instead of the General Fund.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition, we noted \$1,530 was charged to the General Fund, \$2,890 was charged to the Water Fund, \$1,407 was charged to the Sewer Fund and \$6,358 was charged to the Electric Fund for cleaning the Utilities Offices. These expenses should have been equally allocated to the Water, Sewer, Electric and Garbage Funds which are the 4 utility funds responsible for Utility Office activities.

A finding for adjustment is issued against the General Fund for \$2,000, the Water Fund for \$3,046 (\$12,185/4), the Sewer Fund for \$3,047, the Garbage Fund for \$3,046, and the Electric Fund for \$3,047 in favor of the General Fund for \$1,530, the Electric Fund for \$7,358, the Water Fund for \$3,640, and the Sewer Fund for \$1,657.

Payments to Kristopher Irwin (Page 22)

In 2000, the City paid \$6,750 to consultant, Kristopher Irwin, an employee of the Jackson County Geographical Information Systems Department, to enter the City streets and topographical information into the countywide Geographical Information Systems (GIS). The information entered into the system did not include the City's utility infrastructure. Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." As a result, the expenditures were not related to the Water Fund (\$5,000) or the School Based Partnership Grant Fund (\$1,750) to which the expense was charged. The expense should have been paid from the General Fund.

A finding for adjustment is issued against the General Fund for \$6,750 in favor of the Water Fund for \$5,000 and the 1999 School Based Partnership Grant Fund for \$1,750.

Sundry Building and City Garage Debt Payments (Pages 30-31)

On June 25, 1996 the City issued a \$700,000 renewable Bond Anticipation Note to provide funds to purchase and renovate the Sundry Building and to purchase land and build a City Garage. The expenses recorded in the note fund were allocated to the following:

<u>Building</u>	<u>Amount of Expense</u>	<u>% of Issued Note</u>
City Garage	\$411,431	59%
Sundry Building	286,328	41%

In 1999 and 2000, the City paid \$92,672 and \$88,321 in debt payments, respectively. The repayment of the bond anticipation note was equally allocated between the General, Water, Sewer, Electric and Garbage Funds in 1999 and 2000.

City Garage

The City Garage housed the City's Street and Alley, Garbage, and Mechanic Departments. These Departments were funded by the Street, Garbage, and General Funds, respectively. Of the debt payments in 1999 and 2000, the amount related to the construction of the garage was \$54,639 and \$52,074, respectively. The City was unable to provide documentation to support how much of the City Garage was occupied by the 3 departments, so we allocated the expense equally between the 3 departments. Therefore, the following funds should have been charged for the debt payment expense related to construction of the City Garage:

<u>Fund</u>	<u>1999</u>	<u>2000</u>
Debt Service Fund (Street and Alley)	\$18,213	\$17,358
Debt Service Fund (Mechanics)	18,213	17,358
Garbage Fund	18,213	17,358
	<u>\$54,639</u>	<u>\$52,074</u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Sundry Building

The Sundry Building was purchased and renovated by the City for \$286,328. The building housed the City's Utilities Office, Police Department and Council Chambers. The City Auditor's Office determined the Utilities Department utilizes 1,900 square feet of the available 10,500 sq. ft or 18% of the Sundry Building. The remaining 82% of the Sundry Building houses the Police Department and Council Chambers which are both funded by the General Fund. As a result, the City allocated the asset based on the square footage with the Utilities Office allocated to the four utility funds and the remainder allocated to the General Fund. The debt payments should have been allocated to those funds utilizing the building. The Utilities Office is equally supported by the Water, Sewer, Electric and Garbage Funds.

Therefore, the following funds should have been charged for the debt payments totaling \$38,033 and \$36,247 for 1999 and 2000, respectively:

<u>Fund</u>	<u>1999</u>	<u>2000</u>
Debt Service Fund (Police and Council)	\$31,187	\$29,720
Water, Sewer, Garbage and Electric Funds Each	1,711	1,632

A finding for adjustment is issued against the Debt Service Fund for \$132,049, the Water, Sewer and Electric Funds each for \$3,343, and the Garbage Fund for \$38,912 in favor of the General, Water, Sewer, Electric and Garbage funds for \$36,198 each.

FEDERAL QUESTIONED COSTS

CDBG Discretionary Program (Page 25)

The City paid \$10,000 to Jackson County Economic Development Board, a not for profit corporation, on May 23, 2000 for the CDBG Discretionary Program. A review of the supporting documentation indicated the purpose of the payment was an Environmental Review, project management fees, and project file administration for the Holzer Clinic Water Tank. We received a letter dated July 18, 2001 from Sherri Lanier, Jackson County Economic Development Board Director, describing the work performed; however, she did not provide time sheets or other documentation supporting the expenses.

Office of Management and Budget Circular No. A-87 entitled *Cost Principles for State, Local and Indian Tribal Governments* provided guidelines for identifying costs for Federal grants. Section C (1) (j) of this Circular provided for a cost to be allowable, the expenditure must be adequately documented.

Due to a lack of supporting documentation, we are issuing a federal questioned cost of \$10,000 for the CDBG Discretionary Grant.

CDBG Revitalization Program (Pages 23-25)

The City was awarded two grants through the Downtown Revitalization Competitive program, a subpart of the Community Development Block Grant during 1996 and 1998. Attachment A" of the 1996 grant agreement described the project as the rehabilitation of 17 building facades, the interiors of 4 buildings and the construction of 1200 LF of sidewalks in the downtown target area. The 1998 grant agreement indicated it was for the rehabilitation of the exterior of 24 buildings and 1 interior remodel.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The City reimbursed various property owners \$76,655 for projects which were not included on the financial commitment improvement form²⁵, were not supported by invoices or documentation to support the costs incurred by the property owner, or were not within the grant period. We are issuing federal questioned costs totaling \$76,655 for the CDBG Revitalization Grant.

NONCOMPLIANCE CITATIONS

Illegal Transfers

Ohio Rev. Code Sections 5705.14 to 5705.16 provide that with certain listed exceptions, "(n)o transfer shall be made from one fund of a subdivision to any other fund." In addition to the exceptions in Ohio Rev. Code Sections 5705.14 and 5705.15, pursuant to Ohio Rev. Code Section 5705.16, a subdivision may transfer funds under its supervision from one fund to another with approval of the State Tax Commissioner and the Court of Common Pleas.

Each year the City Auditor's Office received an amount for that year's total transfers from the Safety/Service Director. We contacted the Safety/Service Director to obtain an explanation and supporting documentation for the calculation of the amounts transferred. The Safety/Service Director indicated the transfers were included as part of the annual budget approved by Council or included in Ordinances approved by Council.

The City was unable to provide any documentation to support that the transfers were in accordance with Ohio Rev. Code Sections 5705.14 to 5705.16 or that they met one of the exceptions permitted in those sections.

For the period January 1, 1989 through December 31, 2001, the City transferred \$1,660,090 from the Water Fund, \$1,945,533 from the Sewer Fund, \$178,463 from the Garbage Fund, and \$2,272,176 from the Electric Fund to the General Fund. These transfers totaling \$6,056,262 were not permitted by the Ohio Rev. Code.

We recommend the City discontinue transferring monies from its enterprise utility funds to other funds unless the transfer meets one of the exceptions permitted by statute or approval of the State Tax Commissioner and the Court of Common Pleas is obtained prior to the transfer.

Failure to Encumber

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached thereto that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificates to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

²⁵The financial commitment improvement form identified the type of work the building needed, the work to be performed and a signature by the property owner indicating the owner would pay for 50% of the cost of the approved improvements.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The City Auditor's office did not always certify funds prior to the obligation being incurred. We identified 1,897, 38, and 181 instances in Issue Nos. 1, 2, and 3, respectively.

We recommend the City follow the statute and obtain the required certification of funds from the City Auditor prior to purchases being made by the City.

Unallowable VISA Charges

The City's Credit Card Use Policy issued by the Mayor dated December 30, 1992 states in part that "Only expenditures for, or on behalf of, the City of Jackson, or by a City employee in the performance of his job and with prior approval shall be allowed as charges on the City Credit card. No entertainment such as, but not limited to, movies in hotel rooms, etc. shall be charges on the credit card. No room service shall be charged on the Credit card."

Our review for the credit card expenditures from 1/1/99 to 1/12/31/00 disclosed numerous instances where movies, room service, and a gift shop purchase were charged on the City credit card. No documentation existed to verify whether City employees reimbursed the City for these charges.

We recommend that City employees abide by the Mayor's policy dated December 30, 1992. We further recommend that the City Auditors Office aggressively seek explanations for unallowable purchases made and if no explanation and/or authorization exists, obtain reimbursement from the City employee for those charges. If necessary, the required reimbursement should be obtained by withholding the amount of the unallowed charges from the employees' compensation.

Mileage Reimbursement Rate

Article 24, Section 2 of the Master Contract between the City and the Ohio Employees Local #3619 and Ohio Council 8 American Federation of State, County and Municipal Employees, AFL-CIO states that "If the City requires the employee use his/her personal vehicle, the City shall reimburse the employee with a mileage allowance of no less than thirty-one cents (\$0.31) per mile.

Section 6.01 Subsection F of the City's Personnel Policies and Procedures Manual (Updated January 1999) states that "Unless otherwise provided in a negotiated agreement a mileage allowance of not more than twenty-five cents (\$0.25) per mile may be allowed and paid for the use of private automobiles.

During the period from January 1999 to December 31, 2000 the City reimbursed several non-union employees at a rate of thirty-one cents (\$0.31) per mile. These non-union employees would not fall under the negotiated union agreement and should have been reimbursed mileage at a rate of only twenty-five cents (\$0.25) per mile. Reimbursing officials of the City at a higher rate than approved could result in an unnecessary mileage expense for the City.

We recommend that the City reimburse employees and officials of the City, not covered under the union agreement, at the approved rate documented in Section 6.01 Subsection F of the City's Personnel Policies and Procedures Manual.

Commingling Emergency Management Grants

44 CFR Part 13 Section 13.20 (b) (2) states in pertinent part "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A review of the Flood Mitigation Fund indicated grants from the Ohio Department of Development, the Ohio Emergency Management Agency and the Federal Emergency Management Agency were recorded in the same fund on the City's ledgers. As a result, we could not identify the funding source for the expenditures from this Fund.

We recommend the City maintain a separate fund for each federal and state grant to allow the City and the grantee to identify the related expenditures for each grant to verify compliance with the grant requirements.

Delinquent Utility Account Payment Agreement

The City entered into a payment agreement with Jackson Hardware on October 11, 2000, to repay delinquent utility accounts. The agreement provided "in the event Jackson Hardware fails to timely make the payments described in paragraph 1 and/or fail to make the monthly payment on the current utility bills by the due date, then the CITY shall terminate utility services to the business operated by Jackson Hardware, and included in this agreement."

Paragraph 1 provided Jackson Hardware agreed to pay \$268.68 to the City on or before the 15th of each month. A review of the accounts indicated the payments were not made by the 15th of the month or for the agreed payment amount.

We recommend where the City has entered into agreements for the repayment of delinquent utility accounts, that they monitor the agreements to ensure the business or individual is complying with the agreement. In cases where the agreement is not complied with, the City should pursue the legal remedies provided in the contract to enforce compliance.

Issuance of W-2 vs. Form 1099

26 C.F.R. §§ 1.6041-2(a)(1), provides that, "Wages, as defined in (26 USC) Section 3401, paid to an employee are required to be reported on Form W-2."

In addition to his normal compensation, Eddie Henderson, City janitor, was compensated a monthly stipend of \$500 for collecting trash and cleaning restrooms at Eddie Jones Park, Hammertown Lake and Jisco Lake. The City did not have a separate written contract with Mr. Henderson for these services. Based on discussions with Amy Genter, Federal, State and Local Government Specialist, Internal Revenue Service, the \$500 monthly stipend should have been included on Mr. Henderson's Form W-2 forms and federal taxes should have been withheld by the City for his services. The City did not include this income on Mr. Henderson's Form W-2 for 1999 and 2000. Instead, the City provided Mr. Henderson with a Form 1099.

We recommend in the future when the City wants to hire employees as independent contractors that the City verify with the Internal Revenue Service whether the situation indicates that the individual is acting as an employee or an independent contractor. We also recommend that the City file amended Form W-2's for Mr. Henderson for the years in which he received the income.

Taxable Fringe Benefits

26 C.F.R. Section 1.6041-2 provides that wages, as defined in 26 U.S.C. Section 3401, are to be reported on a form W-2, or all other payments of compensation are to be reported on a form 1099. 26 United States Code Section 3402 states "every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computational procedures prescribed by the Secretary of the Treasury." We noted the following noncompliance with this requirement:

- ▶ In addition to his normal compensation, Jeff Ridgeway, City maintenance employee, received a quarterly \$300 stipend in 2000 totaling \$1,200. This stipend was not included in his 2000 Form W-2 compensation.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ The following individuals received educational incentives which were not listed on their 1999 or 2000 Form W-2 as compensation:

Employee	1999	2000
Ted Penix	\$600	\$600
Sally Penix	200	200
Debra Lambert	200	200
Thomas R. Aldrich	600	600
Robert J. Campbell	400	400
Maria Stiffler (Uribe)	600	600
C Ray Lewis	600	400
James R Callahan	200	200
Brian D Bissell	600	600
	<u>\$4,000</u>	<u>\$3,800</u>

- ▶ There were 4 employees in 1999 and one employee in 2000 who each received a clothing allowance of \$150 in accordance with Article 23 Section 5a of the AFSCME contract. There were 26 individuals in 1999 and 17 individuals in 2000 who each received a clothing allowance of \$65 each in accordance with Article 23 Section 5b of the AFSCME contract. The clothing purchased with these allowances were to “purchase insulated outerwear and/or insulated underwear.” Due to the items purchased could be used for working outside during work hours or non-work hours, the allowance is considered a taxable fringe benefit and should be included on the employee’s Form W-2. However, the City did not include this taxable fringe benefit on each employee’s Form W-2 that received the allowances.

We recommend all taxable fringe benefits be included in the W-2 forms issued by the City. The City should also review prior years’ W-2’s and file amended W-2’s for any others who have received these types of taxable fringe benefits.

Personal Use of City Vehicles

26 U.S.C. Section 132 provides which fringe benefits are excluded from gross income. These fringe benefits to be excluded include a qualified transportation fringe. The qualified transportation fringe is defined as “any of the following provided by an employer to an employee:

- (A) Transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee’s residence and place of employment.
- (B) Any Transit Pass
- (C) Qualified Parking.

Section 5B defines a Commuter Highway vehicle as any highway vehicle in which the seating capacity is of at least six adults excluding the driver and at least 80 percent of the mileage use is for transporting employees in connection with travel between their residences and their place of employment and on trips during which the number of employees transported for such purposes is at least ½ of the adult seating capacity not including the driver.

The City currently owns several vehicles which are driven by City Supervisors including the Safety/Service Director and the Director of Water/Wastewater between their residence and their place of employment. The vehicles purchased by the City do not qualify as a Commuter Highway Vehicle as defined in Section 5B. Therefore, the employees are receiving a taxable fringe benefit for the use of a City vehicle to commute between their residences and their place of employment.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend a value be determined for the use of the City's vehicle to commute between the place of employment and the employee's residence. This value should be included as a taxable fringe benefit on the employee's Form W-2. The City should also review prior years Form W-2's and file amended Form W-2's for any employees who have received this taxable fringe benefit.

Clothing and Boot Allowances

Article 23 Section 4-5(b) of the AFSCME Contract with the City states that "Safety gear will be furnished to each employee on the basis of need. An amount not to exceed fifty dollars (\$50) shall be available one time per year to each employee that is required to wear safety shoes (steel toe) or puncture resistant boots. Employees shall be afforded the opportunity to choose their own style of boot/shoe. An employee must submit a receipt in order to receive payment (Section 4)." "Employees on garbage trucks who are required to work outside where the temperature will be less than 32 degrees F shall receive one hundred fifty dollars (\$150) to purchase insulated outerwear and/or insulated underwear. Employees must provide receipt to obtain payment (Section 5a)." "Employees required to work outside where the temperature will be less than 32 degrees (Other Employees not covered under 5a) shall receive an amount of money not to exceed sixty-five dollars (\$65) one time per year to purchase insulated outerwear or insulated underwear. Employees must submit receipt in order to obtain payment (Section 5b)."

We noted that in 1999 and 2000, several employees exceeded the clothing and boot allowances. We also noted the City also allowed employees to charge the clothing on the City's VISA or open charge accounts instead of reimbursing the employee for items purchased as indicated in the union agreement. There is no apparent tracking system used by the City to assure that City employees are not reimbursed more than one time a year or in amounts in excess of the union agreement. A lax attitude toward clothing/boot reimbursement could result in employees utilizing the City VISA and/or open charge accounts to make purchases for unallowable items or in excess of the allowable amount.

We recommend that the City not allow employees to charge these purchases on the City accounts and instead reimburse the employees in accordance with the clothing allowance to ensure the reimbursements do not exceed the clothing allowance. In addition, supervisors should review the request and verify the following: (a) the City employee is eligible for the reimbursement, (b) the City employee has not received reimbursement at any other time since the last reimbursement and the required amount of time has elapsed since the last reimbursement, and (c) that the City employee's reimbursement request does not exceed the allowed amount.

MANAGEMENT COMMENTS

Utilities Funding General Government Operations

Each month the City transferred monies from its utility funds to the General Fund. The City was unable to provide any documentation to support that the transfers were in accordance with Ohio Rev. Code Sections 5705.14 to 5705.16 or that they met one of the exception permitted in those sections.

For the period January 1, 1989 through December 31, 2001, the City transferred \$1,660,090 from the Water Fund, \$1,945,533 from the Sewer Fund, \$178,463 from the Garbage Fund, and \$2,272,176 from the Electric Fund to the General Fund. These transfers totaling \$6,056,262 were not permitted by the Ohio Rev. Code.

The illegal transfers and the complete or disproportionate allocation of general government expenses to the utility funds as noted in the Findings for Adjustment and Noncompliance Citations portions of this report, indicate that the City is using the revenues of the City utilities to fund the general government operations of the City. As a result, City utility customers pay unnecessarily inflated utility rates for the services they receive because the rates are set based on the costs of providing all government services rather than simply the costs associated with providing and maintaining utility services.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend the City analyze and reduce its utility rates to rates that generate sufficient revenues to operate and maintain its utility systems. We recommended the City implement a City income tax to fund general government operations which it previously funded through the excess revenue generated by its utilities.

Payroll and Nonpayroll Expense Allocation

The City allocated payroll costs of 10 to 14 employees to various funds based on the employee's job duties. A review of the job descriptions for these employees and the available weekly time allocations indicated the allocations of these costs were not reflective of the time actually spent performing duties related to the various funds. For example, the City Engineer's salary was allocated equally to the Water, Sewer, and Electric Funds. However, his job description reflects duties involving construction and streets which involve other funds such as the General Fund, Street Fund, and the Community Improvement Fund.

We identified numerous instances, as indicated in the Findings for Adjustment portion of this issue, where the City recorded an expense in a fund which did not receive the benefit. For example, the City posted the expense for the railroad loan commitment fee to the Electric Fund instead of the Railroad Fund. Expense should be recorded in the fund(s) receiving the benefit of the goods and/or service. As a result, various funds paid for expenses unrelated to its activities.

We recommend the City Auditor's Office compare the appropriation codes on the purchase order to the expense to verify the expense was recorded into the fund receiving the benefit. For those incorrectly reported, the City Auditor's Office should notify the department incurring the expense and adjust the expense accordingly. We further recommend that the City decide upon a method to allocate the salary costs such as a time study, entering each pay period the hours spent related to each of the funds, or hire a firm to prepare an indirect cost allocation plan. The method to allocate costs should be documented in writing, be reasonable, and should have supporting documentation attached to support the allocation of the costs.

Conflict of Interest Policy

The City's Policy and Procedures manual does not have a conflict of interest policy which addresses conflicts of interest with businesses owned by City employees or their relatives with which the City does business. In addition, the manual does not address supervising relatives and/or hiring relatives as City employees. There were 2 instances where a City employee supervised either his son or his wife. In addition, the Safety/Service Director hired and supervised his grandchildren to collect trash at various areas in the City. The conflict of interest policy should require City employees to notify the City Administration of any relationships with vendors, potential vendors, current employees, or potential employees to reduce the risk of an actual or perceived conflict of interest.

We recommend the City implement a policy which requires on an annual basis, each employee to report any companies either they or their relatives are involved with to reduce the likelihood of a potential conflict of interest. The policy should also provide, at a minimum, that if an apparent or even suspected conflict of interest is discovered by or revealed to an employee, the matter is brought to that person's supervisor to resolve the issue by maintaining an arms length transaction.

Use of Personal Assets

City employees indicated they occasionally used personal equipment in the performance of their duties. If the equipment was damaged while at work, the employee charged the replacement parts or repair expenses to the City. Currently, the City does not have a policy regarding personal equipment used or damaged during work hours.

We recommend the City implement a policy addressing whether or not City employees are allowed to use personal equipment in performing their City duties. If so, the policy should require supervisory approval and address replacement or repairs to personal equipment damaged while being used for City business.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Personal Use of City Assets

We identified instances during interviews with City personnel where City assets and tools were used for an employee's personal use or business. For example, the computer in the Mayor's Office was used to generate personal correspondence for the Mayor and Safety/Service Director, and campaign flyers for a current Jackson County Commissioner. In addition, City tree trimming saws and materials were used by a City employee for his personal tree trimming business. The City Policy and Procedures manual does not address the use of City assets for personal use. As a result, the assets are being used by City personnel at the expense of the City.

We recommend the City implement a policy specifically prohibiting City assets from being used for personal use or for personal businesses.

Work at Private Residences

We identified at least 3 instances in which City employees and/or officials received services from City employees at either their personal residence or other property owned by them. These individuals received invoices and paid for the services, the equipment used, and the hourly wage of the employees performing the work. One individual was not invoiced for the services received.

These instances could be perceived by the residents as city officials receiving additional benefits not offered to the residents by utilizing their position as a city official to receive services at a lower price. In addition, the City employees are using City tax dollars and equipment to perform these duties during City work hours which were not included in their job descriptions.

We recommend the City discontinue this practice and periodically question its employees to ensure the employees are only performing the duties included in their job descriptions. If additional City related duties are performed, the job description should be updated to reflect the additional duties.

Weekly Time Summaries

Currently, the City requires various department heads and administrative employees to complete a daily time summary documenting the percentage of their work day performing duties related to various funds. A review of the summaries indicated the following:

- ▶ The time studies were not completed for each work day or often times for an entire week by various employees.
- ▶ There was no evidence that a supervisor reviewed the time study for accuracy or unusual items.
- ▶ There were numerous errors such as incorrect dates or the total percentages for a day exceeded 100%.

Ron Speakman, Safety/Service Director indicated there were no guidelines for completing the daily time summaries and that no review of the time summaries was performed. As a result, the City administration was unable to identify how the department heads and administrative employees were spending their time.

We recommend if the City continues the use of the daily time summary, the City should provide written guidelines on how to complete the summary, when it should be completed, and the review process. In addition, an independent individual should review the time summaries for obvious errors such as incorrect dates for the week, days that do not equal or exceed 100%, and instances when the summary was not completed.

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Safety/Service Director's Salary

Ordinance 70-99 indicated the Safety/Service Director was to be paid \$900 higher than the highest paid City employee. Ordinance 70-99 does not stipulate whether contracted employees are included when determining highest paid city employees. The City used the salary of the City Engineer, who is a contracted employee to calculate Mr. Speakman's compensation. Ordinance 70-99 resulted in Mr. Speakman receiving a pay increase of \$21,759 from his 1998 salary.

Each time that the City Engineer obtained a license, he also received a pay increase. At the same time, the Safety/Service Director was granted an increase in pay comparable to the City Engineer. Ordinance 70-99 does not specifically state whether or not these increases were allowable. A review of the Payroll Status Change forms for Mr. Speakman's payrolls indicated 4 of the 12 change forms for 1999 through May 2001 were approved by the Mayor as Mr. Speakman's supervisor. The remaining 8 forms did not document supervisory approval.

We recommend City Council pass an Ordinance clarifying the annual rate of compensation and whether the Safety/Service Director should receive an hourly increase each time a subordinate receives a pay increase for a new license. In addition, each time the Safety/Service Director receives a pay increase, the Payroll Status Change form should be reviewed and approved by the Mayor as documentation of the approved change in pay.

Travel Policy

The union agreements entered into by the City provide expenses that are reasonable for traveling will be reimbursed by the City. The City's Policy and Procedures manual provides similar guidance. The credit card policy implemented by the Mayor provides additional guidance on the use of the City's credit cards when traveling. The Policy does not address a maximum amount allowed to charge for various expenses which can result in the City paying for expensive meals while its employees are traveling.

We recommend the City update its credit card policies to provide specific guidelines for documentation required for reimbursement of expenses or charges on the credit card, maximum amounts, if any, on the various types of expenses, and descriptions of allowable and unallowable expenses. Typically items such as alcohol or entertainment expenses are considered unallowable.

Use of Mileage Logs

The City does not have specific written policies and procedures detailing the documentation required for mileage reimbursement for City employees and officials. In addition, the form used to request reimbursement refers to a 1986 Ordinance which provides the mileage rate was in accordance with the union contract in effect at that time. Since then, the mileage reimbursement rate in the current union contract exceeds the rate noted in the 1986 Ordinance. The lack of written policies and procedures could result in inconsistent or improper treatment of reimbursements and could result in errors or irregularities occurring which are not detected in a timely manner. Failure to accurately and consistently process reimbursements could result in inaccurate payments.

The City should implement written policies that require the use of a mileage log when traveling on City business in a personal vehicle which include the date of travel, the purpose of the travel, where the individual traveled to, and the number of miles driven. This log should be attached to the request for reimbursement for mileage. In addition, the mileage request reimbursement form should be updated to include the mileage log as part of the request and include the current rate of reimbursement.

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Internet Usage Policy

The City has not adopted a written policy prohibiting the personal use of the City's Internet connection. This could result in City employees using the Internet service for personal searches during the work hour.

We recommend the City implement a written policy detailing acceptable use of the Internet.

Personal Use of City Cellular Telephones

Employee cell phone bills were paid by the City. The City did not require the employees utilizing the phones for personal use to reimburse the City for personal phone calls. We noted instances in which the employees called their residences during and after work hours. The cost of these calls were not reimbursed to the City. As a result, the City made payment for services unrelated to City operations.

We recommend the City implement a policy requiring employees to submit reimbursement for personal phone calls on City owned cell phones. We also recommend that for years 1999 and 2000, the City require its employees to review bills for the cellular telephones issued to them and reimburse the City for any personal use.

Conducting Business With Jackson Hardware

During interviews and sworn depositions, City employees admitted they had purchased personal items at Jackson Hardware which were subsequently charged to the City's account. Bill Ratcliff, owner of Jackson Hardware, indicated City employees routinely entered his business, took what they needed and left. Mr. Ratcliff included the cost of the items on the City's open charge account. Mr. Ratcliff also indicated he would identify items which appeared to be personal in nature on the City's invoices as items other than what was taken. For example, a City employee would take a container of orange juice. Mr. Ratcliff indicated he would identify the juice on the invoices as gloves or another item which the City used. As a result, it is likely that the City paid for employees' personal purchases. Currently, the City does not have a written policy prohibiting this practice.

Additionally, the City has entered into payment agreements with Jackson Hardware for a delinquent utility account and for the paving of its parking lot. Jackson Hardware seldom made payments on its delinquent utility account in the amount, or by the due date, set in the agreement. As of the date of this report, Jackson Hardware has not made any payments related to the paving of its parking lot.

We recommend the City implement a policy prohibiting City employees from charging personal items on any City account and detail any disciplinary actions for doing so. The policy should state who or what level of City employee is authorized to make purchases on the City's accounts. The City should notify vendors with which they have open charge accounts of the items which are allowed to be purchased and which employees are authorized to make the purchases. We further recommend that the City reconsider whether it should continue to use Jackson Hardware as a vendor since it knowingly allowed personal purchases to be made and charged to the City and admittedly falsified invoices to the City to hide the personal purchases. Any outstanding invoices from Jackson Hardware should be reduced by the delinquent balance on its utility account and the cost of paving its parking lot.

City Credit Cards

Currently, the City has 4 credit cards of which 2 are maintained at the Utilities Office, 1 by the Mayor and 1 by the Safety/Service Director. The Credit Card Policy issued December 30, 1992 by the Mayor states in part "There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge."

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Our review of the credit card purchases made from January 1, 1999 to December 31, 2000 disclosed a total of \$3,993 in charges in which no signature receipt was maintained and/or verification could not be made as to who executed the purchase. We noted 17 employees who charged a total of \$706 to the City VISA for unallowable expenses such as tips, room service, and alcohol or lacked a detailed receipt.

We recommend the City discontinue the use of direct bill credit cards issued in the name of the City by City officials or employees. City-related expenses incurred by individuals on behalf of the City should be reimbursed to the individual following completion and approval of an expense reimbursement form and upon submission of appropriate documentation to support that the expense incurred related to the operations of the City.

Should the City desire to continue using direct bill credit cards, the City should enhance its credit card policy and written procedures. The policy and procedures should include, but not be limited to the following:

- ▶ Identification of individuals authorized to use the credit card.
- ▶ Clear identification of the types of charges allowable.
- ▶ Approved credit limits.
- ▶ A prohibition on the use of City credit cards by unauthorized individuals or for personal purchases.

The individual responsible for approving payment of the City's credit card charges should review the charges in detail to ensure the charges are in compliance with the City's Policy. For those charges which do not comply with the policy, the reviewer should obtain explanations from the employee for the charge and supporting documentation of who charged the purchase. In cases where documentation is unavailable, the policy should require that the expenditure become a personal expenditure of the employee, thus requiring reimbursement to the City. Furthermore, the City should provide this policy to the users of the credit cards and to each new employee to ensure all employees are aware of the requirements for charging items on the City credit card.

Gasoline Credit Cards

The City used gasoline credit cards which were maintained at the local gas stations or by City employees for the purchase of gasoline for City vehicles. The City received a monthly statement with the charges listed on the statement. However, there were numerous charge slips not available for review and no indication that the City reconciled the charges on the statement to the charge slips to ensure only City related purchases occurred.

We recommend the City require its employees to submit the gas receipt to the City Auditor's Office. The City Auditor's Office should reconcile the slips to the monthly statements prior to remitting payment. In addition, where the City is maintaining credit cards at the local gas stations, each station should be provided with a list of authorized purchasers to ensure only current City employees are using the cards. This list should be updated each time an employee leaves service or an employee is hired. In instances where the City is unable to identify the signature of the individual making the purchase or the City vehicle used, we recommend the City not pay for those charges.

Employee Hotel Stays

City employees stayed in hotels 65 times for related training sessions. Although a hotel bill supported the charges, in some instances, we were only able to verbally verify the employee was attending training at or near the hotel. We are not aware of any verification performed by the City to ensure the employee actually attended the training. In addition, there was one hotel charge in which the employee did not attend the training and failed to cancel the hotel reservation. As a result, the hotel charged the City for the room for one night.

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Each employee attending training should have supervisory approval and after the training, submit the approved registration and related receipts to the City Auditor's Office as support for the payment. In addition, the supervisor approving the VISA statement charges should verify the employee attended the training prior to paying for the hotel bill. If the employee stayed at the hotel but did not attend the training, the City officials should decide whether City monies should pay for the hotel stay. For the one instance the City was billed when the employee did not stay, we recommend the City contact the Hampton Inn and attempt to have their money refunded as the service was not provided.

Approval of Agreements

A review of expenditures and interviews indicated the Safety/Service Director negotiated the following agreements:

- ▶ The Safety/Service Director was approached by Alan Stockmeister, a private citizen, who wanted to pave the road to his cabin which was also a portion of the City's access road to Jisco Lake. The Safety/Service Director negotiated with Mr. Stockmeister the amount of monies the City would pay to have a portion of the City's access road paved and widened. As a result of the verbal negotiations, the Safety/Service Director agreed to remit \$7,500 as the City's portion of the expense.
- ▶ Mr. Speakman entered in an agreement with Alan Stockmeister, President of Foremost Management, for Foremost Management to pay an assessment of \$77,000 twice a year for the cost of the sewer treatment facility upgrade.
- ▶ Mr. Speakman entered into an agreement with Bill Ratcliff, owner of Jackson Hardware, to remit the \$3,850 owed to the City over a four-year period at an interest rate of 4%.

The above agreements were not presented for approval to either the Board of Control or City Council. By not involving other members of City government, the Safety/Service Director could incur additional obligations for which the City has not budgeted the available funds.

We recommend all contracts or agreements which may result in a financial obligation of the City be presented to the Board of Control and/or City Council for approval. The agreements should also be reviewed by the City Law Director prior to Council's approval. This will reduce the likelihood of agreements being entered into which could be a detriment to the financial position of the City.

Waived OWDA Loan Payments

The City currently has a written agreement with Foremost Management by which Foremost Management makes bi-annual payments to the City to cover the costs of debt service payments on an OWDA loan which the City obtained to upgrade its wastewater treatment plant. However, these payments were made by Luigino's, a local business, which leases a building from Foremost Management. Due to a flood in 1997, the OWDA waived the City's payments for 1998, however, the City still collected the 1998 payments from Foremost Management.

Upon our inquiries, the Safety-Service Director indicated he believed a refund was due to Foremost Management for these overpayments.

We recommend the City and Foremost Management negotiate an agreement regarding the treatment of these two payments. The agreement should be documented in writing and signed by both parties. Prior to signing the written agreement, the agreement should be reviewed by the City Law Director and approved by City Council. We recommend all agreements entered into the City with outside parties be reviewed and approved by City Council to ensure it is in the best interests of the City.

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OWDA Loan Footnote Disclosure

The footnotes to the financial statements indicated the City obtained a loan from the Ohio Water Development Authority (OWDA) for the installation of sewer lines. To repay the loan, the footnote indicates the City entered into an agreement with "Foremost Management (Luigino's)" for repayment of the loan. The records indicate that Luigino's is repaying the loan monies to the City who then repays OWDA. In addition, the loan documents discuss an upgrade to the Wastewater Treatment Plant rather than installation of sewer lines. As a result, the footnote disclosure does not accurately reflect what has occurred since the inception of the loan.

We recommend the City Auditor's Office work with the City's GAAP converter to update the footnote to reflect what has occurred since the inception of the loan. The reason for the loan and the company responsible for repaying the City should both be accurately disclosed.

Consolidated Health Systems Agreement

The City began providing water and sewer services to the Consolidated Health System's (CHS) hospital in Jackson in December of 2000. The services were provided via lines constructed and paid for by CHS in which ownership subsequently transferred to the City upon completion. The City had possession of the asset as of December 31, 2000 which should have been listed on its financial statements as an asset since the lines were "a probable economic benefit obtained or controlled by a particular entity as a result of past transactions or events" as defined in FASB Statement of Financial Concepts No. 6. The City did not include this asset in the financial statements for the year ended December 31, 2000.

In addition, the agreement provided the City would provide monthly credits on the Hospital's water and sewer bills until the cost of the water lines, sewer lift station, and forced main were repaid which totaled \$899,432. At December 31, 2000, the City still owed \$899,432 to CHS which should be recorded as a liability on the financial statements. However, the City did not include this as a liability in the financial statements for the year ended December 31, 2000.

We recommend the financial statements and footnotes to the financial statements be adjusted during the next audit to reflect the asset and liability incurred by the City of Jackson during fiscal year 2000.

Overtime Payments

In September 1998 and 1999, City Council passed Ordinances indicating the department heads and certain management personnel were to receive a specified annual amount of compensation. City Council approved Ordinance 1-02 on January 14, 2002 which provided authorization for department heads and management personnel to be offered the same benefits as those provided and offered to the unionized workers. The Ordinance also included a retroactive provision to extend this authorization for the fiscal years 1994 through 2000. The City compensated its department heads and management personnel \$105,605 in overtime for 1999 and 2000. We were unable to verify the true intent of City Council in compensating and providing benefits to the department heads and management personnel.

We recommend the City Council pass an Ordinance clarifying their intent of the compensation package including salary and benefits to be offered to the City employees. The Ordinance should indicate the rate of compensation and what specific benefits such as overtime, longevity pay, and various allowances (i.e., boots, clothing, and vehicles) are considered part of the department heads' and management personnel's compensation package.

Overtime Approval

We identified 27 instances where the former Police Chief, Ted Penix, approved his wife's payroll as supervisor and 41 instances where he approved her overtime requests as her supervisor. Mr. Penix should not have approved his wife's payroll due to their relationship as he has a vested interest in the monies she was compensated.

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We recommend an individual independent of the employee earning the overtime who has knowledge the overtime was worked be responsible for approving the overtime requests. Employees should not be in the position to supervise and approve the payroll/overtime requests of their family members.

Documentation Supporting Overtime Compensation

We identified 69 hours of overtime compensation paid to Sally Penix, Police Department Dispatcher, which were not supported by a completed overtime form.

We recommend all overtime compensated by the City be supported by an approved overtime request form. All overtime compensated by the City should have an overtime form completed documenting the beginning and end time of the overtime worked, a detailed explanation of the work performed, and be signed by a supervisor who observed the overtime work. This will reduce the likelihood an employee will be compensated for unworked overtime.

Receiving Reports

A review of the expenditures indicated it was a standard practice to complete a receiving form for goods and/or services received. However, we noted 1,005 instances in Issue No. 1, and 117 instances in Issue No. 3 where the expenditure was not supported by a receiving form or the information on the receiving form was not complete. We noted the following weaknesses related to the receiving reports:

- ▶ Receiving reports did not contain the signature or initials of a supervisor or department head indicating the goods and/or services were actually received or performed.
- ▶ Receiving report dates were several days or weeks after the invoice date or delivery date. It appeared in some instances the report was not completed in a timely manner.

We recommend the City require a receiving report be completed for each expenditure in which goods or services are received. The form should be completed at the time of the service or arrival of the goods. In addition, the receiving report should include a signature or initial of the person completing the form and should be attached to the invoice prior to submission for payment.

Opening New Utility Accounts While Delinquent on a Previous Utility Account

We identified a resident opened an account in February 1999 which was delinquent on August 3, 2000. On September 1, 2000, this same individual opened another account which was delinquent as of July 2001. The City's practice, per Cheryl Adkins at the City Utilities Office, was an individual could not open another utility account until the balance on another account was paid in full. The resident identified was not required to follow this practice. It is possible the resident received preferential treatment due to her relationship to a City Official. The resident was a daughter of the Safety/Service Director.

We recommend the City clarify in its policy manual the practice of disallowing a resident to open a new utility account when additional monies are owed on another account which was deemed delinquent.

Delinquent Utility Account Management

Delinquent utility accounts were identified as uncollectible and subsequently cancelled for City employees, County employees and businesses still in operation. The City has a process to collect delinquent accounts which includes the use of a private collection agency. However, it appears no monitoring of the collection agency was performed and no other means of collection were pursued to minimize the amount of loss incurred by the City. As a result, the City wrote off an average of \$27,885 for fiscal years 1997 through 2001.

We recommend the City Utilities Department review each delinquent account and identify the most effective means to collect the monies due to the court which include but are not limited to:

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ Filing suit in the Small Claims Court for larger account balances to obtain the monies due.
- ▶ For those accounts identified as belonging to an employee of the City or County, the City may want to meet with the resident/employee and devise a payment plan by withholding a portion of the monies due from the resident's pay check.
- ▶ Attaching the delinquent balance to the resident's or business's property taxes.

In addition, we recommend the City monitor the actions of the collection agency to ensure the collection agency is taking all available steps to obtain the monies owed to the City.

Supporting Documentation For Expenditures

We identified the following weaknesses during a review of the expenditures for 1999 and 2000:

- ▶ There were 192 instances identified in Issue No.1, 3 instances in Issue No. 2, and 12 instances in Issue No. 3 where non-credit card expenditures were not supported by documentation indicating the types of goods or services purchased. Therefore, the City was unable to verify the goods and/or services were received.
- ▶ There was \$1,968 in credit card transactions with no supporting documentation verifying how the monies were expended.
- ▶ Invoices from Jackson Implement did not detail the items purchased and listed items as Miscellaneous. For 1999 and 2000, there were expenditures totaling \$988 which the City could not identify what was purchased.
- ▶ Steve Mathews provided consulting and computer services to various departments within the City. The invoices provided combined work performed for several different departments in the same line item. As a result, the City was not able to allocate the expense to the departments receiving the benefit.
- ▶ Saf-T Train provided monthly invoices with training hours listed on each of the invoices. The hours of training were provided to employees in different departments. Due to the lack of information of who attended the training, the City was not able to allocate the expense to the departments whose employees received the training.

We recommend the City ensure it obtains detailed supporting documentation to allow for verification that goods and/or services were received and to allocate the expenditure to the departments/funds receiving the benefit.

Awarding Tourism Monies

The City has a Tourism Board which authorizes the expenditure of monies collected from the bed and motel tax. These monies are required by the Ohio Rev. Code to be expended to further tourism within the City. Although the expenditures made by the City were tourism related, we noted instances where expenditures were made to organizations up to 8 months before the event and up to 6 months before the organization incurred expenses for the event. This could result in the monies being used for purposes other than those approved by the Tourism Board.

We recommend the Tourism Board refrain from disbursing monies to the requesting agencies until the agency begins to incur expenses for the approved project.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Economic Development Board Contributions

Each year the City contributes \$6,000 to the Jackson County Economic Development Board. Per Sherri Lanier, Director of Jackson County Economic Development Board, these monies were used to assist the City in writing grant applications and the day to day activities of the Economic Development Board to promote economic development in the City and Jackson County. In addition, the City provided monies to the Board for grant work performed beyond the normal scope of the grant. The City did not require the Board to report back how the City's contributions were expended to ensure the monies contributed were used to assist the City with its grants and promote economic activity within the City.

We recommend the City annually require the Board to report back to the City how its contributions were expended. This will allow the City to assess whether additional or fewer monies should be contributed to promote economic growth.

Contribution Request Forms

The City's Tourism Board utilized a "Contribution Request Form" for documenting the requests by the agencies for available bed and motel tax funds. The form requests information about the event and contact person to allow the Board to decide whether the purpose of the project was eligible for funding. The form does not contain a space for the Board to document its approval or disapproval of the request. This could potentially result in a disapproved request being processed for payment.

We recommend the Tourism Board revise the contribution request form to include a space to document its approval or disapproval of the request. The action should be signed by at least two of the three members of the Board.

Written Contract for Trash Pick-up Duties

Eddie Henderson, City janitor, received a \$500 stipend each month for the period of April through either October or November each year for emptying trash cans, maintaining restrooms, and collecting trash near the City park shelter houses. Ron Speakman, Safety/Service Director, indicated in correspondence to us that no written contract existed for the duties performed by Mr. Henderson. In addition, Mr. Henderson was not required to submit any documentation verifying the work was performed. A review of the invoices indicated no authorization was provided for the payment of the invoice. In an interview, Mr. Henderson indicated in some cases a general relief worker, who owes him money, performed his duties. There was no supporting documentation verifying that Mr. Henderson performed the work for which he was compensated.

For the remainder of the year, either the Safety/Service Director's grandson or granddaughter was paid a monthly stipend to collect trash at various areas in the City Parks. Again, there was no written contract indicating the duties to be performed or supporting documentation indicating the hours worked to obtain the monthly stipend.

We recommend the City memorialize in writing the duties to be performed by the independent contractors to receive the monthly stipend. The contract should state the required duties, frequency of the performance of those duties, and required documentation to be submitted to support the work performed. The documentation should be reviewed and approved prior to payment.

Duplicate Payments

We identified 3 instances where the City paid the same invoice twice and one instance the same invoice was paid three times. The City received refunds for 3 of the 4 instances and is currently in the process of obtaining a refund for the remaining instance. The City Auditor should ensure prior to remitting payment for an invoice that it has not been previously paid.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend the department heads only submit one invoice for payment and prior to submitting a late notice for payment that it verifies with the City Auditor's Office the invoice has not been paid. In those instances, the City Auditor's Office should take additional care to avoid duplicate payments.

Payment in Advance of Services

We identified instances where the independent contractors collecting trash, a museum employee, and Brunton Contracting were paid in advance of providing services. Although the available supporting documentation indicated the work was performed by these contractors, advance payments to the contractors or employees could result in the contractors or employees receiving payment for work not performed.

We recommend the City avoid paying contractors or employees for services in advance to ensure the work is performed to the City's satisfaction.

Utilities Debt Service Fund

The City transferred monies from various enterprise funds into a Utility Debt Service Fund to pay its various debts which included Railroad Shipper Notes, Bond Anticipation Notes, Water and Sewer Mortgage Revenue Bonds and OMEGA JV5 Certificates of Participation. The monies transferred into the Utilities Debt Service fund were commingled and do not identify how the funds were expended. Therefore, there is a potential for the utility funds to be used for payment of another utility debt instead of its intended purpose.

We recommend the City established a debt service fund for each of the utilities which is coded as an enterprise fund to account for the transfer of monies for payment of the debt and the related expenses.

Rent Payments

The City Tourism Board and Jackson Area Chamber of Commerce share a building. However, there was no written contract between the Chamber of Commerce and the City regarding the sharing of the office costs. Currently, the City remits \$500 a month to the Jackson Area Chamber of Commerce to offset the costs of the secretary, office equipment, supplies, utilities and taxes paid by the Chamber of Commerce.

We recommend the City establish a formal agreement with the Jackson Area Chamber of Commerce documenting the amount to be paid by the City and how the monies are to be expended.

Payments to Treco, Inc.

Story Cool was responsible for the day to day management of the City's Community Housing Improvement Program (CHIP). Mr. Cool maintained an office at City Hall for this service, for managing the flood mitigation project and for issuing City building permits. Each day, Mr. Cool documented on a time sheet the number of hours spent on each of his responsibilities. The time sheets were presented to his employer, Treco, Inc., who in turn billed either the City or Leighty and Snider for the services provided.

In a review of the monthly invoices submitted by Leighty and Snider, we identified the April 2001 invoice indicated Mr. Cool worked 256 hours. We contacted both Fritz Leighty, President of Leighty and Snider, and Story Cool who explained these hours were worked in the previous year and the billing was delayed. This resulted in the City being billed for services performed in another fiscal year which may or may not have been budgeted in the current fiscal year.

We recommend the City ensures they are billed at the time the services are performed instead of at a later date to ensure the monies intended to pay for those services are used.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Payment of Sales Tax

The City is a tax exempt entity and is not required to pay sales tax on its purchases of goods. However, a review of expenditures identified several instances which resulted in the City paying \$106 in sales tax.

We recommend when the department heads or their designated employees are purchasing items for the City that a tax exempt certificate be provided to the employee to request the tax-exempt status from the vendor.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 2 - Review of Sundry Building Contracts and Renovation Expenditures

We reviewed recorded expenditures and supporting documentation relating to the refurbishing of the Sundry Building to house the Police Department, Utilities Office, and the Council Chambers to determine whether bidding requirements, if applicable, were followed and whether expenditures were made in accordance with applicable provisions of the Ohio Revised Code.

Procedures

1. We reviewed the Council meeting minutes for the period of January 1, 1995 through December 31, 2000 and identified when the City of Jackson (the "City") purchased the building; whether bids were solicited for the refurbishing of the building; and whether contracts were awarded for different aspects of the refurbishing including carpentry, electrical, masonry, plumbing, HVAC, building materials, and roof replacement.
2. We reviewed the expenditures made for the refurbishment of the building to determine whether the City was in compliance with the Ohio Revised Code Sections 5705.41B and 735.05 and whether the work was performed at the building.

Results

1. The Council minutes noted the following actions related to the renovation of the Sundry Building:
 - ▶ Ordinance 45-96 was passed by the City of Jackson Council to purchase the Sundry Building to house the Police Department, Utilities Office and the Council Chambers.
 - ▶ In November 1996, the City requested bids for the following projects relating to the renovation and refurbishing of the Sundry Building: Carpentry, Electrical, Masonry, Plumbing, HVAC, Building Materials (doors and frames), and Roofing.
 - ▶ Ordinance 4-97 awarded the lowest and best bid for masonry construction to Stockmeister Enterprises in the amount of \$18,316.
 - ▶ Ordinance 5-97 awarded the lowest and best bid for building materials (doors and frames) to Martin Block Co., Inc. dba Jackson Building Materials in the amount of \$23,323.
 - ▶ Ordinance 10-97 awarded the lowest and best bid for plumbing to A.J. Stockmeister, Inc. for \$9,998.
 - ▶ Ordinance 11-97 awarded the lowest and best bid for electric to Brunton Contracting in the amount of \$8,767.
 - ▶ Ordinance 93-98 awarded the lowest and best bid for the HVAC system to Glennco Systems Inc. in the amount of \$44,524.
 - ▶ Ordinance 88-99 awarded the lowest and best bid for the roofing project to Insulated Unlimited in the amount of \$38,700.

A review of the above Ordinances and supporting bid documentation indicated the contracts were awarded in accordance with Ohio Revised Code Sections 735.05 and 735.051.

The remaining project, carpentry, was bid according to the minutes, however, the minutes did not reflect the awarding of a bid for carpentry work. The carpentry work contract was awarded by the Safety/Service Director, Ron Speakman, to Brunton Contracting in the amount of \$9,951. The minutes do not reflect City Council was informed of the award or that Council reviewed this contract.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The Safety/Service Director was unable to provide documentation that this contract had been presented to the City of Jackson's Board of Control²⁶ for its approval as required by Ohio Rev. Code Section 733.22.

A review of the minutes indicated each of the above contracts approved by City Council were approved on an emergency basis. We identified numerous other resolutions and ordinances were also passed on an emergency basis. Ohio Revised Code Section 735.051 provides in the case of a real and present emergency which is a result of the operation and maintenance of the department of public service, including all municipally owned utilities, the legislative authority may by a two thirds vote of all of the members authorize the authorized individual to enter into the contract. Many of the resolutions passed by emergency legislation were items the City was aware of for several months before the action occurred or did not appear to impact the City operations as a real and present emergency.

We identified 2 instances in which the City Council minutes did not reflect the reason for entering into executive session as required by Ohio Revised Code Section 121.22. In addition, it was difficult to identify the actions taken by City Council as the minutes did not include the necessary detail to provide the reader an understanding of what occurred.

2. A change order in the amount of \$3,938 was issued to AJ Stockmeister, Inc. to install an oil receptor at the Sundry Building. No documentation was available indicating the change order was signed by the Safety/Service Director; signed by the contractor; or approved by the Board of Control as required by Ohio Revised Code Sections 733.21, 733.22 and 735.07.

Expenditures for 38 purchase orders were not encumbered properly since the invoice was dated 3 to 42 days prior to the purchase order date. This is contrary to the requirements in Ohio Rev. Code Section 5705.41B. Issue No. 1 of this report included a noncompliance citation for not issuing purchase orders prior to purchasing goods or services.

We noted 2 invoices in which the check was marked "prepaid" as though the payment was issued prior to the work being performed. Although we were unable to determine whether prepayment actually occurred, we will issue a recommendation to make payments only after the services are provided or the goods are received.

We noted 6 invoices, totaling \$22,618, were paid by the City Auditor without prior authorization by a city employee involved in the project that goods or services had been received. In Issue No. 1, we issued a recommendation that all expenditures be approved for payment prior to payment of the invoice.

We identified 3 instances where an invoice was not presented to support the expenditure. In Issue No. 1, we issued a recommendation that supporting documentation be maintained to support the amount and purpose of City expenditures.

NONCOMPLIANCE CITATIONS

Minutes of Public Meetings

Ohio Revised Code section 121.22 (C) states:

All meetings of any public body are declared to be public meetings open to the public at all times. Member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

²⁶ Ohio Rev. Code Section 733.21 provides "the mayor, director of public service, and the director of public safety constitute the board of control of a city. The mayor shall be the ex officio president."

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

At the September 22, 1997 and the July 10, 2000 meetings of City Council, Council went into executive session without documentation in the minutes as to the reason for the executive session.

We recommend that City Council document a brief explanation for entering into executive session in the minutes record.

Board of Control

Ohio Revised Code Sections 733.21 states:

The mayor, director of public service, and the director of public safety constitute the board of control of a city. The mayor shall be ex officio president. The board shall keep a record of its proceedings. All votes shall be by yeas and nays and entered on the record, and the vote of a majority of all the members of the board shall be necessary to adopt any question, motion, or order.

Ohio Rev. Code Section 733.22 states in pertinent part, "no contract in the department of public service or the department of public safety, in excess of five thousand dollars, shall be awarded except on the approval of the board of control of the city, which board shall direct the director of the appropriate department to enter into the contract."

The City was unable to provide documentation exists to verify that the City's Board of Control met during the Period to approve expenditures in excess of \$5,000 and under the bid limits. Inquiry of the Safety/Service Director indicated that he and the Mayor do meet on an informal basis, however, they do not document the meetings. This could result in a lack of objectivity concerning significant expenditures on the part of the City.

We recommend that the City formally adopt the Board of Control as set forth in Ohio Rev. Code Sections 733.21 and 733.22, and document all meetings in a minutes record to be submitted for audit. We further recommend the City divide the Safety/Service Director position into two separate positions to avoid one member from having the majority vote of the Commission.

Change Orders

Ohio Rev. Code Section 735.07 permits the Safety/Service Director to make alterations to contracts, however, they must be made in writing and signed by himself, the contractor, and approved by the Board of Control as outlined under Ohio Rev. Code sections 733.21 and 733.22.

Our review of the plumbing contract for the Sundry Building indicated an alteration was made to the contract with AJ Stockmeister, Inc., to add an oil receptor. The only supporting documentation for this alteration provided was a memo to the Safety/Service Director from the City Engineer dated April 21, 1997 regarding the reasoning for the alteration. This does not satisfy the requirements as set under Ohio Rev. Code Section 735.07.

We recommend that when it becomes apparent that alterations will be needed for existing contracts that the Safety/Service Director, the Contractor, and the Board of Control follow Ohio Rev. Code Section 735.07 for documenting the alteration(s).

MANAGEMENT COMMENTS

Payment in Advance for Work

Contractors or employees performing work for the City should not receive advance payment for work done. We noted 2 instances for which payments for goods or services were marked "prepaid". We were unable to determine whether prepayment actually occurred. Although the contractors performed the work they received payment for, advance payments could result in contractors or employees receiving monies for work not performed.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend that the City not pay contractors in advance of the performance of services or receipt of goods. Payments to vendors and contractors should occur only after a properly detailed invoice has been received and the City is certain that goods or services have been received or that contracted work has been satisfactorily performed.

Minute Records

The City does not maintain a detailed record of Council's actions. When read together, *White v. Clinton Cty. Bd. Of Comms.*, 76 Ohio St.3d 416 (1996), and Ohio Rev. Code Sections 121.22, 149.43 and 733.27, impose a duty on the City to maintain a full and accurate record of their proceedings. The minutes represent the official record of City events, and as such should be clear, concise, and detailed to allow a reader to follow and understand the actions taken by Council.

We recommend the City keep more detailed minutes describing ordinances and resolutions adopted by Council, along with a concise description of events and occurrences taking place during the meetings.

Council Decisions

A review of the Council minutes record identified several occasions where Council authorized ordinances awarding bids; however, it did not appear they had reviewed any bidding documentation prior to their authorization. We identified these instances by noting where Council members asked the Safety/Service Director questions such as how many bids were received, and who submitted other bids after the Ordinance was approved. City Council should be presented with adequate information prior to authorizing an Ordinance for a contract in order to make an informed decision.

We recommend the Safety/Service Director present Council with all bid documentation such as, but not limited to, the bids submitted, notice of advertisement for the bids, and documentation of the Board of Control meeting, for their review prior to the Council voting on an Ordinance.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 3 - Review of COPS and DARE Grant Expenditures

For the period January 1, 1995 to December 31, 2000, we reviewed recorded grant expenditures charged to the City's various COPS and DARE grants and determined whether the grant expenditures were in accordance with the grant guidelines and whether the local match money, if applicable, was provided in accordance with the grant guidelines.

Procedures

1. We scheduled the recorded DARE grant fund expenditures for the period of July 1, 1997 through June 30, 2000 and the COPS Grant expenditures for the period of January 1, 1995 through December 31, 2000 and compared these expenditures to the grant agreement. We reviewed available documentation which supported the purpose of the grant expenditures to determine whether the expenditures were allowable under the grant agreements.
2. We reviewed the available quarterly reports submitted by the City to the grantor agencies to verify the accuracy of the financial information and timeliness of the reports prepared by City officials.

Results

1. We compared expenditures for the following grants to the approved grant applications to determine whether the expenditures of grant monies were allowable.

Federal Grant	Federal Dollars Received	Federal Dollars Expended	Unexpended Grant Balance
1998 School Based Partnership Grant*	\$134,142	\$125,812	\$8,330
1999 School Based Partnership Grant**	92,344	88,009	4,135
Small Community Grant	7,328	7,328	
Problem Solving Partnerships Grant	49,580	49,580	
COPS Fast and Universal Hiring Grants ²⁷	509,904	509,904	
COPS More Grant	41,238	41,238	
DARE***	<u>110,611</u>	<u>89,879</u>	<u>20,820</u>
	<u>\$945,147</u>	<u>\$911,750</u>	<u>\$33,285</u>

* Includes original award of \$117,320 plus a supplemental Grant of \$16,822. Unexpended grant funds were returned to the U.S. Department of Justice in October 2001.

** The City received an extension of the grant period to January 21, 2002.

*** \$28,903 of the federal monies received were recorded in the General Fund. We assume the City expended these funds; however, the City could not specifically identify the DARE expenditures made from the General Fund

²⁷ The first grant received by the City of Jackson in 1995 was the COPS FAST grant which provided funding for an additional officer for a period of three years. The City received additional supplements, however the grant name was changed from COPS FAST to the COPS Universal Hiring Practice grant. The remaining supplements were under the name COPS Universal Hiring Practice.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The following table summarizes the federal questioned costs by category of each of the COPS and DARE programs reviewed.

Federal Grant	Unallowable	Not Documented	In Excess of Budget	Unspent Grant Funds	Total
1998 School Based Partnership Grant	\$22,778	\$9,837	\$2,426		\$35,041
1999 School Based Partnership Grant	2,290		28,777		31,067
Small Community Grant	7,328				7,328
Problem Solving Partnerships Grant	6,556	9,980			16,536
COPS Fast and Universal Hiring Grants	183,631	8,750			192,381
COPS More Grant					
DARE	<u> </u>	<u>38,664</u>	<u> </u>	<u>20,820</u>	<u>59,484</u>
	<u>\$222,583</u>	<u>\$67,231</u>	<u>\$31,203</u>	<u>\$20,820</u>	<u>\$341,837</u>

1998 School Based Partnership Grant Program

Unallowable Costs

The approved Budget Detail Worksheet²⁸ identified the allowable grant expenditures. Simon Ng, Director of the U.S. Department of Justice’s COPS Office, indicated no modifications can be made to the grant budget without prior approval of the COPS Office. No budget amendments were approved by the COPS Office. The following grant expenditures, for which we will issue federal questioned costs, were considered unallowable because they were not included in the Budget Detail Worksheet:

- ▶ The City paid an individual \$4,795 to set up the Geographic Information System (GIS)²⁹ and load the maps of the local school district buildings into the GIS computer system. The City also paid the individual \$1,750 for performing GIS services related to the City’s water lines³⁰. His services were not listed in the “consultants/contracts” or “personnel” categories on the Budget Detail Worksheet.

²⁸ The Budget Detail Worksheet was included as part of the approved grant application and contains specific categories of expenses allowable per the grant guidelines. The budget includes the following specific categories and descriptions: A) Personnel-described as compensation paid for employees engaged in grant activities; B) Fringe Benefits related to the compensation paid to the employees in Category A; C) Travel-defined as travel expenses for project personnel by purpose related to the grant; D) Equipment-defined as non-expendable equipment having a useful life of more than two years and an acquisition cost of \$5,000 or more per unit; E) Supplies-defined as any materials that are expendable or consumed during the course of the project and expendable equipment costing less than \$5,000; F) Consultants/Contracts-defined as services or products to be provided by an independent contractor; and G) Other Costs-these must be specified at the time the grant is applied for by the entity.

²⁹ See footnote No. 5.

³⁰ This expenditure was reported as a finding for adjustment in Issue No. 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ The following assets totaling \$5,093 were either fully or partially purchased with grant monies: A Gateway computer, monitor, digital speakers, printer, support, software, a SOLO 2150s computer, and a Targus carrying case. These assets were not included in the categories “equipment” or “supplies” on the Budget Detail Worksheet and were in addition to those purchased in accordance with the grant application.
- ▶ Four individuals attended a school violence training seminar in San Diego, California at a cost of \$3,756. This training was not included in the categories of “equipment” or “supplies” on the Budget Detail Worksheet. A review of the 1999 School Based Partnership grant application indicated this training was budgeted for the 1999 School Based Partnership grant.
- ▶ The City purchased 6 police logo shirts costing \$229. The shirts were not included in the category “supplies” included in the approved Budget Detail Worksheet.
- ▶ Grant monies paid \$1,913 for the following training expenses: registration for two officers at the National Association of School Resource Officers training in Medina, Ohio; \$260 for meals at a training in Knoxville, Tennessee unrelated to the COPS grants; and 50% of the expenses for the costs of training attended by two employees in Washington D.C. None of these activities were included in the categories of “travel” or “other” on the Budget Detail Worksheet.
- ▶ Food costing \$405 was purchased from two restaurants and for two days of training. These meals were not included in the “travel” or “other” category on the Budget Detail Worksheet. The training related to these meals also was not included in either the “travel” or “other” category.
- ▶ A finance charge from the City’s VISA credit card in the amount of \$44 was charged to the School Based Partnership Grant. This charge was not included in the “other” category on the Budget Detail Worksheet.
- ▶ The City transferred \$793 in expenses for the purchase of a camcorder, digital camera, accessories and food purchases for training in Medina, Ohio to the 1998 School Based Partnership fund. None of these expenses were included in the “equipment”, “travel”, or “supplies” categories on the approved Budget Detail Worksheet.
- ▶ The City paid Mr. Gregory Woolum \$4,000 as compensation for performing basic grant administration services such as reviewing forms, conducting planning meetings, telephoning parents, and performing data entry. Mr. Woolum’s services were not included in the “consultants/contracts” or “personnel” categories listed on the approved Budget Detail Worksheet.

Grant Expenditures In Excess of Budget

We compared the approved budget amounts in the Budget Detail Worksheet to the amounts expended by the City for each cost category. We contacted Simon Ng, Director, U.S. Department of Justice COPS Office, who indicated the City was not allowed to exceed the approved budget amount listed within each category without obtaining an approved budget amendment. No budget amendments were approved by the COPS Office. We identified the following instances for which we will issue federal questioned costs where the actual grant expenditures exceeded the approved budget amount:

- ▶ The City paid \$6,800 for training on the GIS system which was budgeted as “travel” costs in the grant agreement. The approved budgeted amount for this expenditure was \$6,310 which resulted in the grant incurring \$490 in excess of the approved budgeted amount.
- ▶ The City paid a vendor \$8,533 for computer mapping and a data station which was budgeted as “equipment” in the grant agreement. The approved budgeted amount was \$8,500 which resulted in the grant incurring \$33 in excess of the approved budgeted amount.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ The City paid a vendor \$3,080 for survey composition and printing which was budgeted as “other” in the grant agreement. The approved budgeted amount was \$2,200 which resulted in the grant incurring \$880 in excess of the approved budgeted amount.
- ▶ The City charged \$22,650 in expenditures as “equipment” in the expenditure ledger. We subtracted \$927 which should have been recorded as “supplies” which reduced the City’s “equipment” expenditures to \$21,723. The approved budget for “equipment” was \$20,700 which resulted in the grant incurring \$1,023 in excess of the approved budgeted amount.

Unsupported Grant Expenditures

Mr. Gary Stiffler was paid \$9,825 as a consultant to the grant. We requested supporting documentation from Mr. Stiffler to support the work he performed under the grant. In a written response, Mr. Stiffler indicated that he had developed project/job descriptions, various grant pay scales and training programs; completed quarterly reports, contacted various computer companies, and conducted various meetings. Mr. Stiffler stated that all of his notes and work product were provided to the City upon his separation from employment. The documentation referred to by Mr. Stiffler in his written response has not been provided by either Mr. Stiffler or the City. The available documentation provided by the City did not indicate the work was performed by Mr. Stiffler. In addition, Dr. Ashley Bannon, grant evaluator³¹, indicated some of the work Mr. Stiffler stated was performed by him was actually performed by her.

The weekly time sheet submitted by Mr. Stiffler for the period 6/16/99 to 6/22/99 indicated he worked from 1:00 pm to 7:30 pm on Saturday June 19 and 12:30 pm to 4:00 pm and 7:30 pm to 9:30 pm on Sunday June 20. The weekly time sheet submitted by Mr. Stiffler for the time period 6/19/99 to 6/25/99 indicates that he worked 12:00 pm to 4:00 pm on Saturday June 19 and 12:00 pm to 4:00 pm on Sunday June 20. Mr. Stiffler received compensation at \$25 per hour for both of these time sheets. As a result, Mr. Stiffler was paid twice for the hours of 1:00 pm to 4 pm on Saturday June 19 and the hours of 12:30 pm to 4:00 pm on Sunday June 20. We will issue a finding for recovery against Mr. Stiffler for public monies illegally expended in the amount of \$163 in favor of the 1998 School Based Partnership Grant fund.

Travel expenses incurred on the City’s VISA totaling \$1,138 were charged to the grant. The City was not able to provide documentation for \$12 of these charges to support that the charges were related to the grant. We will include the \$12 in the federal questioned cost of the program since it was not supported as required by OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*.

Unused Grant Funds

The City did not expend \$8,330 of the grant funds it was awarded and received. On October 23, 2001, the City remitted \$8,330 to the U.S. Department of Justice COPS Office for unused grant funds.

Total Questioned Costs - 1998 School Based Partnership Program: \$35,041

³¹ Dr. Ashley Bannon is a professor at Ohio University. The City of Jackson entered into an agreement with her for services for the School Based Partnership grants. Dr. Bannon was to provide assistance to the crime analyst in developing various surveys, develop specialized training modules for the grant, and assist in the data collection, data entry, analysis and computer mapping of the survey results.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

1999 School Based Partnership Grant Program

Unallowable Costs

The approved Budget Detail Worksheet³² identified the allowable grant expenditures. Simon Ng, Director of the U.S. Department of Justice's COPS Office, indicated no modifications can be made to the grant budget without prior approval of the COPS Office. No budget amendments were approved by the COPS Office. The following grant expenditures, for which we will issue federal questioned costs, were considered unallowable because they were not included in the Budget Detail Worksheet:

- ▶ The City paid \$74 for a meal which was recorded as "supplies". The City also paid \$99 for the purchase of radio cases which recorded as "supplies". The approved Budget Detail Worksheet did not list radio cases or meals as approved "supply" expenses.
- ▶ Mileage reimbursements totaling \$248 were paid for an officer's travel to elementary schools for one month (\$19) and for travel to training in Knoxville, Tennessee (\$229). These expenses were not included in the approved Budget Detail Worksheet as "travel" or "other" expense.
- ▶ The City paid \$1,511 for the purchase of a camcorder, digital cameras, accessories and meals for a training in Medina which were not listed in the approved Budget Detail Worksheet as "supply", "equipment" or "travel" expenses.
- ▶ Two video bags purchased for \$50 from Walmart were not listed in the approved Budget Detail Worksheet as either "supply" or "equipment" expense.
- ▶ Communication and postage charges totaling \$308 were not listed as an approved "supply" or "other" expense in the Budget Detail Worksheet.

Grant Expenditures In Excess of Budget

We compared the approved budget amounts in the Budget Detail Worksheet to the amounts expended by the City for each cost category. We contacted Simon Ng, Director, U.S. Department of Justice COPS Office, who indicated the City was not allowed to exceed the approved budget amount listed within each category without obtaining an approved budget amendment. No budget amendments were approved by the COPS Office. We identified the following instances for which we will issue federal questioned costs where the actual grant expenditures exceeded the approved budget amount:

- ▶ The "consultants/contracts" budget indicated Ohio University was to be paid \$25,200 for evaluation services. However, the City paid \$53,200 to Ohio University. Dr. Bannon, Ohio University Evaluator,³³ indicated the additional monies were because her graduate students completed the Criminal Analyst's duties as the original Criminal Analyst resigned during the project. The City did not obtain COPS Office approval for the additional \$28,000 expended for the "consultants" budget category.
- ▶ The "supplies" budget provided for the purchase of 4 DeskJet printers, however, the City purchased 5 DeskJet printers. The cost of the fifth DeskJet printer was \$314.
- ▶ The City charged \$19,593 in expenditures as "supplies" in the expenditure ledger. We subtracted \$3,727 which should have been recorded as "other" costs which reduced the City's "supplies" expenditures to \$15,863. The approved budget for supplies was \$15,400 which resulted in the grant incurring \$463 in excess of the approved budgeted amount.

³² See footnote No. 28.

³³ See footnote No. 31.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Total Questioned Costs - 1999 School Based Partnership Program: \$31,067

Small Community Grant Program

The approved grant application indicated the grant monies awarded to the City were to pay for the fourth year salary of a specific officer hired and previously funded by the 1995 COPS FAST grant. The \$7,328 received by the City were recorded in the Universal Hiring Practice grant fund; however, the expenditures for the officer's salary were recorded in the COPS FAST Grant fund. The Small Community Grant funds were not used to pay the salary of the officer hired by the 1995 COPS FAST Grant but instead were used to pay the salaries of other officers which were hired under the Universal Hiring Practice Grant. CFR 66.20 (b)(2) states "grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities."

Total Questioned Costs - Small Community Grant Program: \$7,328

Problem Solving Partnership Grant Program

The grant award was to fund a criminal analyst and consultant to analyze the responses of surveys to assist the police department in fighting property theft. The Budget Detail Worksheet³⁴ indicated a detailed explanation of allowable expenditures in the categories of "salary", "travel", "supplies", and "consultant" expenditures. We contacted Simon Ng, Director of the U.S. Department of Justice COPS Office, who stated no modifications can be made to the budget without prior approval of the COPS office. The COPS Office indicated no budget amendments were approved for the City of Jackson.

We noted the following expenditures, for which we will issue federal questioned costs, were not included in the approved Budget Detail Worksheet and were not purchased in place of items included in the approved budget categories:

Item/Service Purchased	Amount	Category Charged by the City
Alert Windows Software	\$1,415	Supplies
Opryland Admission	45	Travel
Long Distance Phone Calls	98	Travel
Postage	1,500	Supplies
JAZ Traveller EXT PAR Adapter	64	Supplies
2 HP 660LX Palmtop	1,566	Supplies
Film and Law Enforcement Kit	356	Supplies
Three Comp USA Cross Ball&Leather Port	1,242	Supplies
Corporate Micro Sales	270	Supplies
	<u>\$6,556</u>	

In addition, the City paid \$9,980 to Mr. Gary Stiffler based on time cards submitted for work performed related to the grant. We contacted Mr. Stiffler to identify the services he performed. Mr. Stiffler was able to describe the work he performed, however, he was unable to provide documentation to support his explanations. Documentation available from the City indicated Ms. Tamra Jones provided some of the services. We were unsuccessful in contacting Ms. Jones. Because documentation is not available to determine whether services were actually performed by Mr. Stiffler, we will issue federal questioned costs in the amount of \$9,980.

³⁴ See Footnote No. 28.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

For the period June 1, 1997 through May 31, 1998, Gary Stiffler was to provide consultant services to assist the City in meeting the Problem Solving Partnership grant objectives. The initial grant period was May 1, 1997 through April 30, 1998, however, the City received extensions of this grant period from the U.S. Department of Justice. This resulted in Mr. Stiffler providing services for the grant through November 1998. The City did not amend the personal services contract with Mr. Stiffler to extend the contract period through November 1998 which resulted in Mr. Stiffler providing services without a contract.

Total Questioned Costs - Problem Solving Partnership Grant Program: \$16,536

COPS FAST and Universal Hiring Practice (UHP) Grant Program

During the period of January 1, 1995 through December 31, 2000, the City received \$509,904 for the COPS FAST Grant and three supplements under the Universal Hiring Practice Grant (formerly known as the COPS FAST Grant). Of the monies received, \$50,142 were subject to guidance in OMB Circular A-128 and the remaining \$459,762 were subject to guidance under OMB Circular A-133. Each of these grants were to provide monies to hire additional officers for duties other than patrol. The monies were to pay for 75% of the officer's salary and fringes excluding overtime, overtime fringes, equipment and supplies. The City was required to provide a match of 25% of the eligible grant expenditures.

Although records from the grantor agency indicated that the City received the funds, the City was unable to identify which fund recorded the receipt of \$8,750 of grant monies. As a result, we were unable to conclude whether the monies were expended in accordance with the grant and will issue federal questioned costs of \$8,750.

The City expended \$627,153 in salaries and benefits allowable under the grant. Of this amount, \$470,364 was eligible for reimbursement by the grantor; however, the City requested and received from the U.S. Department of Justice \$501,154, resulting in an overpayment of \$30,789. The \$30,789 was used to pay unallowable expenses such as overtime recorded in the fund. We will issue a federal questioned cost in the amount of \$30,789.

Grant funds in the amount of \$4,225 were transferred to the COPS MORE grant funds to refund monies unallowable in the COPS MORE Grant fund. These monies were expended for officers' salaries that were ineligible for the COPS FAST grant in 1996. Therefore, we will issue a federal questioned cost in the amount of \$4,225.

The City recorded \$197,310 in local match monies in the grant funds. However, the City also recorded \$189,139 in ineligible expenditures in the fund. As a result, only \$8,171 was available for the required 25% in local match monies. As a result, the City did not provide \$148,617 of the required \$156,788 in local match monies. Therefore, we will issue a federal questioned cost in the amount of \$148,617.

Total Questioned Costs - COPS FAST and Universal Hiring Practice Grant Program: \$192,381.

COPS MORE Grant Program

A review of the expenditures for the grant monies awarded indicated expenditures for the COPS FAST/Universal Hiring Practice Grant were charged to this fund. However, the City transferred \$4,225 of COPS FAST Grant monies to refund the monies for the unallowable expenditures recorded in the COPS MORE grant fund. The transfer of the COPS FAST grant funds to this fund resulted in the commingling of federal grant funds. A noncompliance citation will be issued for commingling grant funds which does not allow for adequate identification of how federal monies were expended.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

DARE Grant Program

1998 Grant

Ohio Department of Alcohol and Drug Addiction Services (ODADAS) awarded a \$28,903 federal grant to the City to operate the Jackson County DARE program during the period of July 1, 1997 through June 30, 1998. The City recorded the federal monies in the General Fund. We were unable to identify how these federal monies were expended since the expenses in the General Fund did not indicate which were federal monies. OMB Circular A-133 (as revised on June 30, 1997) required the City to "identify, in its accounts, all Federal awards received and expended and the Federal Programs under which they were received." Therefore, we will issue a federal questioned cost in the amount of \$28,903.

1999 and 2000 Grants

ODADAS awarded a \$40,438 federal grant to the City to operate the Jackson County DARE program during the period of July 1, 1998 through June 30, 1999. The federal funds were to be expended for the salary of a DARE officer, 1 support staff, an evaluator from Ohio University and equipment. In addition, ODADAS awarded a \$41,358 grant for the period of July 1, 1999 through June 30, 2000. The grant monies were to be expended for a DARE Officer, 1 support staff, equipment and cellular phone service. The City commingled local monies and 1999 and 2000 DARE grant monies in the same fund.

We reviewed supporting documentation for the payroll and non-payroll expenditures of federal funds and noted that in 1999, there were 9 instances totaling \$8,916 where the City was not able to provide documentation to support payroll expenses charged to the grant. We also noted one instance totaling \$845 in 2000 where the City was not able to provide support for a non-payroll expense charged to the grant. We will issue federal questioned costs totaling \$9,761 for unsupported federal expenditures

Unused Grant Funds

The City did not expend \$20,820 of the grant funds it was awarded and received. Because the grant period has expired, we will issue federal questioned costs for the unused funds.

Total Questioned Costs - DARE Grant Program: \$59,484

General Comments Regarding Grant Expenditures

Our review of the grant expenditures noted the following additional weaknesses:

- ▶ The City's Police Department did not maintain many of the grant reports or copies of the grant agreements. However, we were able to obtain the reports and grant agreements from the grantor agency.
- ▶ Payroll punch sheets and some bi-weekly payroll reports used to support payroll charges to the various grants were not available for review.
- ▶ The Police Department Payroll Clerk made hand-written adjustments to punch cards without maintaining documentation to support the adjustments made.
- ▶ Contrary to Ohio Revised Code Section 5705.41B, expenditures for 181 purchase orders were not encumbered properly. In Issue No. 1, we included a noncompliance citation for not issuing purchase orders prior to purchasing goods or services.
- ▶ There were 12 expenditures for which the City was unable to provide supporting documentation for review. In Issue No. 1, we issued a recommendation for not obtaining supporting documentation prior to issuing payment for an expenditure.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ There were 117 instances in which a receiving form was not completed by the employee receiving the goods or services. In Issue No. 1, we issued a recommendation for not completing a receiving form upon receipt of the goods or services.
 - ▶ We noted Gary Stiffler served as a consultant on various COPS Grants at the City and that his wife, who worked at the City Police Department, was involved in some manner with the grants as well. In Issue No. 1, we issued a recommendation to implement a conflict of interest policy to avoid the perception of conflicts between services provided to the City and City employees.
 - ▶ We noted numerous instances during the audit period where funds had negative fund balances because the City did not request monies from the grantor agency. In the case of the COPS FAST and Universal Hiring Practice Funds, the negative balance was also the result of recording ineligible expenditures in the funds and/or not transferring the local match to the fund when it was needed.
2. We reviewed the quarterly reports for the COPS grants identified in Result No. 1 and noted the following:

Federal Grant	No. of Quarterly Reports Submitted	No. of Qtrly Reports Not Submitted ³⁵	No. of Reports Filed Untimely	No. of Inaccurate Reports ³⁶
1998 School Based Partnership Grant*	14	0	4	2
1999 School Based Partnership Grant	2	3	1	2
Problem Solving Partnerships Grant	5	2	1	2
COPS Fast and Universal Hiring Grants	23	0	0	23
COPS More Grant	7	1	1	5
Small Community Grant	<u>1</u>	<u>3</u>	<u>1</u>	<u>1</u>
	<u>52</u>	<u>9</u>	<u>8</u>	<u>35</u>

The DARE grant did not require quarterly reports of its expenditures but rather required a mid year and annual expenditure report. We were unable to verify the accuracy of the 1998 reports due to the commingling of federal, state and local monies in the General Fund. A review of the reports for grant years ending June 30, 1998, 1999 and 2000 indicated the reports were not filed timely and the mid year and annual reports for fiscal years 1999 and 2000 did not agree to the City's accounting records.

A noncompliance citation will be issued for not filing required reports, not filing required reports timely, and for filing inaccurate reports with the City's grantor agencies.

³⁵This was based on a review of the documentation filed by the City with the U.S. Department of Justice COPS Office.

³⁶The amounts reported on the quarterly reports did not agree with the City's expenditure ledgers.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

FINDING FOR RECOVERY

1998 School Based Partnership Grant

Gary L. Stiffler was compensated twice for the time period of 1:00 pm to 4:00 pm on Saturday June 19 and the hours of 12:30 pm to 4:00 pm on Sunday June 20 at \$25 per hour or a total of \$162.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Gary L. Stiffler for public monies illegally expended in the amount of \$162 in the favor of the City's 1998 School Based Partnership Fund.

FEDERAL QUESTIONED COSTS

1998 School Based Partnership Grant

The approved Budget Detail Worksheet³⁷ identified the allowable grant expenditures. According to the Director of the U.S. Department of Justice COPS Office, no budget amendments are permitted without the COPS office approval. No budget amendments were approved by the U.S. Department of Justice COPS Office.

Office of Management and Budget Circular A-87, *Cost Principals for State, Local, and Indian Tribal Governments* requires grantees and sub-grantees maintain records which adequately identify the source and application of federal funds expended. Circular A-87 also provides guidelines for identifying costs for Federal grants. Section C(1)(j) of this Circular provides that for a cost to be allowable, the expenditure must be adequately documented.

The following expenditures were considered unallowable because they were not included in the Budget Detail Worksheet, were unsupported, or were in excess of the approved budget category amount:

- ▶ The City expended \$10,545 for services to individuals who were not identified in the "consultant/contracts" or "personnel" categories of the Budget Detail Worksheet.
- ▶ The City purchased equipment totaling \$5,093 which were not identified in the Budget Detail Worksheet.
- ▶ The City expended \$5,669 in travel related costs for training that was either not approved for the grant or for training which was unrelated to the grant.
- ▶ The City expended \$229 for 6 shirts which were not included in the Budget Detail Worksheet.
- ▶ The City expended \$405 on food which was not included in the Budget Detail Worksheet.
- ▶ The City expended \$44 on an unallowable credit card finance charge.
- ▶ The City transferred \$793 of expenses to the grant for unallowable equipment, training, and food purchases.
- ▶ The City paid Mr. Gary Stiffler \$9,825 for which neither the City nor Mr. Stiffler could provide documentation to support the services received related to the grant. In addition, the City could not provide documentation to support \$12 of travel charges incurred on the City's credit card and charged to the grant.
- ▶ The City exceeded the approved budget amounts in the "travel", "equipment", and "other" categories totaling \$2,426.

We are issuing federal questioned costs for the 1998 School Based Partnership Grant in the total amount of \$35,041.

³⁷ See footnote No. 28.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

1999 School Based Partnership Grant

The approved Budget Detail Worksheet³⁸ identified the allowable grant expenditures. According to the Director of the U.S. Department of Justice COPS Office, no budget amendments are permitted without the COPS office approval. No budget amendments were approved by the U.S. Department of Justice COPS Office.

The following expenditures were considered unallowable because they were not included in the Budget Detail Worksheet or were in excess of the approved budget category amount:

- ▶ The City expended \$1,660 on “equipment” and “supplies” that were not included in the Budget Detail Worksheet.
- ▶ The City expended \$248 on travel related costs which were not included in the Budget Detail Worksheet.
- ▶ The City expended \$308 on communication and postage related expenses which were not included in the Budget Detail Worksheet.
- ▶ The City expended \$74 for meals that were not included in the Budget Detail Worksheet.
- ▶ The City exceeded the approved budget amounts in the “consultant/contract” and “supplies” totaling \$28,777.

We are issuing federal questioned costs for the 1999 School Based Partnership Grant in the total amount of \$31,067.

Small Community Grant

CFR 66.20 (b)(2) states “grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.”

The approved grant application indicated the grant monies awarded to the City were to pay for the fourth year salary of a specific officer hired and previously funded by the 1995 COPS FAST grant. The \$7,328 received by the City were recorded in the Universal Hiring Practice grant fund; however, the expenditures for the officer’s salary were recorded in the COPS FAST Grant fund. The Small Community Grant funds were not used to pay the salary of the officer hired by the 1995 COPS FAST Grant but instead were used to pay the salaries of other officers which were hired under the Universal Hiring Practice Grant.

As a result, we are issuing federal questioned costs for the Small Community Grant in the amount of \$7,328.

Problem Solving Partnership Grant

The approved Budget Detail Worksheet³⁹ identified the allowable grant expenditures. According to the Director of the U.S. Department of Justice COPS Office, no budget amendments are permitted without the COPS office approval. No budget amendments were approved by the U.S. Department of Justice COPS Office.

Office of Management and Budget Circular A-87, *Cost Principals for State, Local, and Indian Tribal Governments* requires grantees and sub-grantees maintain records which adequately identify the source and application of federal funds expended. Circular A-87 also provides guidelines for identifying costs for Federal grants. Section C(1)(j) of this Circular provides that for a cost to be allowable, the expenditure must be adequately documented.

³⁸ See footnote No. 28.

³⁹ See footnote No. 28.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The following expenditures were considered unallowable because they were not included in the Budget Detail Worksheet or were unsupported:

- ▶ The City expended \$1,415 for computer software which was not included in the Budget Detail Worksheet.
- ▶ The City expended \$143 for travel expenses which were not included in the Budget Detail Worksheet.
- ▶ The City expended \$4,998 for “supply” expenses such as postage and small pieces of equipment which were not included in the Budget Detail Worksheet.
- ▶ The City paid Mr. Gary Stiffler \$9,980 for which neither the City nor Mr. Stiffler could provide documentation to support the services received related to the grant.

We are issuing federal questioned costs for the Problem Solving Partnership Grant totaling \$16,536.

COPS FAST and Universal Hiring Practice Grants

CFR 66.20 (b)(2) states “grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.” OMB Circular A-133 (as revised on June 30, 1997)⁴⁰ required the City to “identify, in its accounts, all Federal awards received and expended and the Federal Programs under which they were received.”

According to the COPS FAST grant application, by signing the application, the City acknowledged that the grant would provide a maximum federal contribution of 75% of the allowed officers salaries and benefits.

Condition No. 1 of the “Conditions of Grant Award” which is attached to the COPS FAST grant application states in part, “Overtime cannot be paid for with this funding.”

Review of the grant activity noted the following:

- ▶ The City was unable to identify which fund recorded the receipt of \$8,750 of grant monies and as a result, we were unable to conclude whether the monies were expended in accordance with the grant.
- ▶ The City requested and received \$30,789 in excess of the federal portion of allowable salaries and benefits. The \$30,789 was used to pay unallowable expenses such as overtime recorded in the fund.
- ▶ Grant funds in the amount of \$4,225 were transferred to the COPS MORE grant funds to refund monies unallowable in the COPS MORE Grant. These monies were expended for officers’ salaries that were ineligible for the COPS FAST grant in 1996.
- ▶ The City did not provide \$148,617 of required local match monies.

We are issuing federal questioned costs for the COPS FAST and Universal Hiring Practice Grant totaling \$192,381.

**Total Questioned Costs for the U.S. Department of Justice
Community Oriented Policing Services Grants:**

\$282,353

⁴⁰This Circular was effective for audits of entities for fiscal years beginning after June 30, 1996. Prior to the issuance of this Circular, OMB Circular A-128 (issued April 12, 1985), *Audits of State and Local Governments* was applicable and contained similar provisions to those cited here in part in Section 8b(1). OMB Circular A-133 (as revised on June 30, 1997) rescinded OMB Circular A-128.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

DARE Grants

OMB Circular A-133 (as revised on June 30, 1997)⁴¹ required the City to “identify, in its accounts, all Federal awards received and expended and the Federal Programs under which they were received.”

Office of Management and Budget Circular A-87, *Cost Principals for State, Local, and Indian Tribal Governments* requires grantees and sub-grantees maintain records which adequately identify the source and application of federal funds expended. Circular A-87 also provides guidelines for identifying costs for Federal grants. Section C(1)(j) of this Circular provides that for a cost to be allowable, the expenditure must be adequately documented.

The City recorded the \$28,903 of 1998 federal DARE grant monies it received in the General Fund. The City was unable to identify how these federal monies were expended since the expenses in the General Fund did not indicate which were federal monies.

We reviewed the supporting documentation for the payroll and non-payroll expenditures of federal funds and noted that in 1999 there were 9 instances totaling \$8,916 where the City was not able to provide documentation to support payroll expenses charged to the grant. We also noted one instance totaling \$845 in 2000 where the City was not able to provide support for a non-payroll expense charged to the grant.

The City did not expend \$20,820 of grant funds which it received. The grant period for which allowable expenditures of this grant could be incurred has expired.

We are issuing federal questioned costs for the DARE Grant program totaling \$59,484.

NONCOMPLIANCE CITATIONS

COPS Grant Accounting Records

28 CFR 66.20 (a) (2) (1997) provides that the grant recipient should maintain an accounting system sufficient to “permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

The Office of Justice Programs (OJP), under the U.S. Department of Justice, provides policy guidance, control, and support services to OJP’s Program Offices and Bureaus in accounting and the financial management of grants. This guidance includes instruction that each grant award from a Federal agency must be accounted for separately. Recipients and sub-recipients are prohibited from commingling funds on either a program-by-program basis or a project-by-project basis. Funds specifically budgeted and/or received for one project may not be used to support another.

We noted that grant funds received by the City for the Small Communities Grant were posted to the Universal Hiring Grant fund. Expenditures eligible for reimbursement from the Small Communities Grant were posted to the COPS FAST Grant fund. Grant funds in the amount of \$4,225 received for the COPS FAST Grant were transferred to the COPS MORE Grant.

We recommend the City separately account for each grant received to ensure the funding source of each expenditure can be adequately identified. In addition, we recommend total program income, including Federal funds and State and local matching shares, be credited to the grant fund and only expenses related to the terms of that particular grant be recorded in that fund.

⁴¹ See footnote No. 40.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Quarterly Reports

Conditions of the Grant Award Statement, included in the approved grant agreement by the U.S. Department of Justice, for the School Based Partnership Grants, the Problem Solving Partnership grant, the Small Community grant, the COPS FAST and Universal Hiring Practice grants, and COPS MORE grant state, in part, "in order to assist the COPS Office in the monitoring of the award, your agency will be responsible for submitting progress reports and quarterly financial status reports." According to provisions of the approved Conditions of Grant Award Statement, the reports were to be submitted within 45 days of the end of the reporting period.

We identified the following noncompliance issues related to submitting required quarterly reports for the following grants:

- ▶ For the 1998 School Based Partnership grant, the City did not submit a timely quarterly report for 4 quarters and submitted reports for 2 quarters which could not be traced to the City's accounting records.
- ▶ For the 1999 School Based Partnership grant, the City only submitted 2 quarterly financial status reports. One was submitted on a timely basis, however, neither report agreed to the City's accounting records.
- ▶ For the Problem Solving Partnership Grant, the financial status reports submitted for 2 quarters were not completed and one report was submitted late. In addition, total outlays reported for 2 quarters did not agree to the expense reports for those periods. The last report submitted was for the period 07/01/98 to 09/30/98 even though there were expenditures after that date.
- ▶ For the Small Community Grant, the quarterly report submitted for the period 09/01/98 to 12/31/98 did not agree to the City's accounting records and was not filed in a timely manner. The City did not submit quarterly financial status reports for the remaining 3 quarters in the grant period.
- ▶ For the COPS FAST and Universal Hiring Practice grants, the City did not submit accurate quarterly reports as ineligible expenditures were reported as local share expenditures.
- ▶ For the COPS MORE grant, the City did not submit a timely quarterly report for the period 10/01/97 to 12/31/97. A report for the period 04/01/98 to 6/30/98 could not be located. In addition, total outlays reported for 5 quarters did not agree to the expense reports for those periods. The one year grant period should have elapsed at the end of November 1997; however the financial status reports include Federal share of outlays through 09/30/98.

We recommend the City use City accounting records to submit accurate, timely quarterly financial status reports in accordance with the conditions of the grant award.

COPS Grant Records Retention

28 CFR Section 66.42(b) provides that the length of the grant records retention period is three years. All financial and programmatic records, supporting documents, statistical records and other records of grantees must be retained, for three years.

Due to a lack of record keeping by the City for the COPS grants, we contacted the U.S. Department of Justice COPS Office to obtain the various quarterly reports and approved grant agreements to perform the audit.

We recommend all related grant records be maintained in accordance with the grant agreement's records retention schedule.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Accounting for DARE Grant Monies

OMB Circular A-87 requires grantees and sub-grantees maintain records which adequately identify the source and application of federal funds expended.

The Fiscal Year 1998 DARE Grant was accounted for in the General Fund along with other monies deposited in the General Fund. It was not readily determinable what were DARE Fund expenditures or General Fund expenditures. The Fiscal Year 1999 and Fiscal Year 2000 DARE Grants were accounted for in the same fund along with local, state and other monies. It was not easily determinable what expenditure related to which fiscal year or which grantee budget.

We recommend the City separately account for each grant received to ensure the funding source of each expenditure can be adequately identified. In addition, we recommend total program income, including Federal Funds and State and local matching shares be credited to the grant fund and only expenses related to the terms of that particular grant be recorded in that fund.

DARE Reports

Ohio Department of Alcohol and Drug Addiction Services (ODADAS) Grantee Reporting Requirements dictate that the actual total ODADAS and "Other Funds" project expenditures are to be reported to ODADAS in an annual report. A review of the FY 1999 and 2000 Grants disclosed that the end of year budget submission did not coincide with the recalculated expended federal grant monies. These inaccuracies could jeopardize future funding for the City or require the City to return funds to the grantor agency.

We recommend that the City review the end of year expenditures and submit an accurate report to the grantor agency.

Records Retention

Ohio Rev. Code § 149.351 provides a general prohibition against the destruction or damage of public records. Ohio Rev. Code § 149.351(A) states, in pertinent part, "All records are the property of the public office and shall not be 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 Ohio Rev. Code § 149.38 to § 149.42..."

A review of the Payroll Punch Detail Reports noted several Punch Detail Reports could not be located. Upon inquiry with the Administrative Assistant in the Safety/Service Director's Office, several reports were reported as being lost. In addition, several bi-weekly Payroll Distribution Audit Reports were unavailable for review.

Disposal of records should be performed in accordance with Ohio Rev. Code § 149.351. We recommend that the Safety/Service Director's Office and Auditor's Office maintain all documents in accordance with the Ohio Revised Code.

MANAGEMENT COMMENTS

Time Clock Reports

A review of the Punch Detail Reports from the time clock noted numerous hand-written adjustments moving regular hours to grant hours. Punch Detail Reports should be printed at the end of each bi-weekly payroll documenting employees hours as related to each of the funds their duties relate. We were unable to verify whether the hours moved from one fund to another related to the activities performed for the other fund.

We recommend that the Payroll Clerk discontinue making hand-written adjustments to the Payroll Punch Detail Report. This report is an automated on-line generated report and automatically distributes hours charged to the correct fund(s) based on the entry given. The reason(s) for any required adjustment(s) to the Report should be adequately documented in writing and approved by a supervisor.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Approval of Budget Amendments

Grant documentation indicated the City Police Department requested approval of DARE grant program budget amendments from ODADAS. However, no written approval was obtained from the grantor verifying the grantor approved the amendment request. We were able to verify with ODADAS that they had verbally approved some of the City's requests for amendments.

We recommend each time the City obtains verbal approval of an amendment that it obtains written documentation supporting the amendment.

Grant Cash Flows

We noted numerous instances in which the fund balance of various COPS grants was a negative balance. This was the result of waiting on either the transfer of the local match monies, the receipt of grant monies previously requested, or the result of unallowable expenditures being recorded as an expense in the fund. The City should monitor these funds to ensure grant funds are requested in time to avoid the use of other monies for grant expenditures as well as ensure only allowable expenditures were charged to the grant funds.

We recommend that the Grant Administrator periodically estimate upcoming grant expenses to determine whether there is enough monies available in the fund to cover upcoming expenses. If not, the Grant Administrator should take steps to obtain the monies necessary to cover future expenditures.

Contracts for Personal Services

For the period June 1, 1997 through May 31, 1998, Gary Stiffler was to provide consultant services to assist the City in meeting the Problem Solving Partnership grant objectives. The initial grant period was May 1, 1997 through April 30, 1998, however, the City received extensions of this grant period from the U.S. Department of Justice. This resulted in Mr. Stiffler providing services for the grant through November 1998. The City did not amend the personal services contract with Mr. Stiffler to extend the contract period through November 1998 which resulted in Mr. Stiffler providing services without a contract.

We recommend the City monitor personal service contracts and amend the contract periods and responsibilities to coincide with the grant period and approved responsibilities.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Appendix A

The following table summarized the total amount of Findings for Recovery issued against the following employees:

Employee Name/Vendor Name	Total Amount of Finding For Recovery***	Findings For Recovery Located on Page(s)
William McManis	\$1,314	42,46
Gary Stiffler	162	89
Greater Miami & Scioto Railway Company	10,998	20-21
HMI, Inc.	23,677	14
Industrial Hydraulics	661	33
James Morris	200	47, 48
Jeffrey Coyan	340	42, 46
L&H Water Tank Storage and Subcontractors	33,360	29-30
Larry Fisher	205	47-48
Maria Stiffler	303	15-16
Mayor Tom Evans	158	15-16
Melvin B. Davis	103	42
Robert Campbell	400	48-49
Roger Fisher	570	15-16, 47-48
Ron Aldridge	100	47-48
Ron Speakman*	10,739	15-16, 36-37, 42, 46-49
Sally Penix	1,469	46-47
Ted Penix**	2,676	15-16, 46-47
Thomas Aldrich	<u>777</u>	15-16, 48-49
	<u>\$88,212</u>	

* The Findings for Recovery against Ron Speakman, Safety/Service Director, include findings for recovery of \$336 against Mr. Speakman personally, and \$10,403 against Mr. Speakman jointly and severally.

** The Findings for Recovery against Ted Penix include findings for recovery of \$1,207 against Mr. Penix personally, and \$1,469 against Mr. Penix, jointly and severally.

*** These amounts are net of findings repaid during the audit totaling \$11,741.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Appendix B

The following table reflects the revised cash balance by fund as of December 31, 2001 as a result of the net effect of the Findings for Adjustment issued in this report:

Fund Name	Cash Balance as of December 31, 2001	Net Effect of the Findings for Adjustment Reported in Issue No. 1	Revised Cash Balance as of December 31, 2001
General Fund	831,574	(6,161,450)	(5,329,876)
Debt Service Fund	0	(132,049)	(132,049)
Cemetery Fund	32,014	1,260	33,274
Street Fund	40,026	(175,916)	(135,890)
Fire Fund	17,954	(1,343)	16,611
Cemetery Tax Levy Fund	44,282	(4,272)	40,010
Flood Mitigation	1,769	(945)	824
Water Fund	1,079,610	1,725,238	2,804,848
Water Improvement Fund	45,529	15,599	61,128
Sewer Fund	1,587,368	2,094,462	3,681,830
Sewer Improvement Fund	1,442	19,835	21,277
Garbage Fund	62,962	151,229	214,191
Electric Fund	4,650,861	2,419,271	7,070,132
Electric Improvement Fund	235,862	51,767	287,629
Railroad Fund	67,915	(5,885)	62,030
COPS FAST Grant Fund	0	2,135	2,135
1999 School Based Partnership Grant Fund	(2,649)	1,750	(899)
Recreation Fund	8,818	(332)	8,486
Pool Fund	1,377	(586)	791
DARE Grant Fund	<u>10,516</u>	<u>232</u>	<u>10,748</u>
	<u><u>\$8,717,230</u></u>	<u><u>\$0</u></u>	<u><u>\$8,717,230</u></u>

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Appendix C

The following issues will be referred to the Ohio Ethics Commission for its review:

Potential Conflicts of Interest

- ▶ Ron Speakman, Safety/Service Director, approved the write-off of his daughter's \$245 delinquent utility account in 1994. In addition, another daughter of the Safety/Service Director was allowed to open a second utility account although she had a delinquent balance of \$233 on a previous account, contrary to the City's practice. (Page 40)
- ▶ Ron Speakman, Safety/Service Director, approved City payments totaling \$3,700 to his grandson and \$450 to his granddaughter. No written contract(s) existed indicating the duties to be performed, what documentation was to be provided to support the work that was to be performed, or the amount of compensation. (Page 29)
- ▶ Eddie Henderson is a Janitor for the City of Jackson. Alan Stockmeister owns several local businesses which conduct business with the City as a vendor. In July 2000, Mr. Stockmeister loaned Mr. Henderson \$38,000 with no conditions relating to repayment of the loan or interest. (Page 38)
- ▶ The ex-wife of Roger Fisher, an Electric Department supervisor, passed away in 2001. The owner of K & J Gift is a personal friend of Mr. Fisher. The owner who lives in Phoenix purchased an airline ticket for Mr. Fisher to attend her funeral in Montana. K & J Gift is a vendor which sells electrical safety equipment to the City's Electric Department. (Page 38)
- ▶ City Council member Shane Goodman and Council President Dennis Hodge own a business called "The Zone" which sells pizza and cellular phones and rents videos. The City purchased the cellular phones used by City employees and officials from this vendor. We did not calculate the total amount of cell phone purchases to this vendor. (Page 41)
- ▶ Former Police Chief Ted Penix approved 41 of 97 overtime requests and 27 of 52 time cards of his wife, Sally Penix, who was a City of Jackson Police Department Dispatcher. (Page 46)
- ▶ Luigino's, one of the City's largest taxpayers and utility customers, paid a portion of the expenses of Mayor Tom Evans and Safety/Service Director Ron Speakman associated with a week-long fishing trip to Canada. Although we did not calculate the actual amount of the expenses, according to representatives of Luigino's, Tom Evans, Ron Speakman and others were flown by Luigino's on private planes from Duluth, Minnesota to a camp in Canada and the expenses for the week such as accommodations, fishing boats, meals, and tackle were paid for by Luigino's. (Page 39)
- ▶ Carl Dobbins, member of the Board of Trustees of the City-owned Lilian Jones Museum, approved an \$80 payment to his son, Tim Dobbins, for the installation of the museum's awning. (Page 33)
- ▶ On May 14, 2001, Seasongood and Mayer held a dinner meeting at the Colonial Restaurant for City Officials regarding the renewal of the City's bond. The meal provided to the attendees was paid for Seasongood and Mayer. Carl Barnett, City Auditor, indicated this has been occurring for several years. The Mayor and Safety/Service Director also verified the meals were paid by Seasongood and Mayer. (Page 41)
- ▶ Ron Speakman, Safety/Service Director, served on the Executive Board of the Jackson Area Chamber of Commerce. Mr. Speakman was also a member of the City's Tourism Board. While he was on the Executive Board of the Chamber of Commerce, Mr. Speakman approved City payments to the Chamber in his capacity as the Safety/Service Director and as a member of the Tourism Board. (Pages 33 & 41)

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ▶ The City Tourism Board consists of the Mayor, Tom Evans, the Safety/Service Director, Ron Speakman, and Council member, Ed Hughes. The Tourism Board approves disbursements to various organizations to promote tourism within the City of Jackson and Jackson County. The disbursements for 1999 and 2000 included disbursements of \$3,000 each year to the Pig Iron Days Committee. Mayor Evans and Mr. Speakman are also members of the governing board of the Pig Iron Days Committee. Many of the documents provided to support the expenditures used the City as the purchaser of the goods and or services and/or used the City Hall's address as the mailing address for the Pig Iron Days Committee correspondence. (Page 26)

- ▶ During the Period, Ron Speakman, Safety/Service Director, served on the Jackson County Economic Development Board, a not-for-profit organization. As Chair of the Board, Mr. Speakman signed a request from the Board to the City for a \$6,000 contribution. In his capacity as Safety/Service Director, Mr. Speakman approved the \$6,000 contribution to the Board. Mr. Speakman also approve two other City contributions to the Board while he was a member of the Board. The requests for the other two contributions were from Alan Stockmeister, a close associate of Mr. Speakman. (Page 25)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF JACKSON

JACKSON 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 4, 2002**