



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MONROE COUNTY OFFICE OF ECONOMIC DEVELOPMENT  
MONROE COUNTY**

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**MONROE COUNTY OFFICE OF ECONOMIC DEVELOPMENT  
MONROE COUNTY**

**SCHEDULE OF ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL  
AS OF SEPTEMBER 30, 2001**

**ELECTED OFFICIALS:**

Mark Forni, County Commissioner  
Gary Hudson, County Commissioner  
Mitchell Schumacher, County Commissioner  
Pandora Neuhart, County Auditor  
Lynn Riethmiller, County Prosecuting Attorney

**ADMINISTRATIVE PERSONNEL:**

Jeanette Knuchel, County Auditor Financial Supervisor  
Vaughn Smith, Director of Job and Family Services  
George Couch, Economic Developer  
Louis Stein, Economic Developer  
Stephanie Rouse, Tourism Director

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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## REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mitchell Schumacher, President  
The Honorable Mark Forni  
The Honorable Gary Hudson

Monroe County Commissioners  
101 North Main Street  
Woodsfield, Ohio 43793

Based on your request, we have conducted a Special Audit by performing the procedures enumerated in the attached "Supplement to the Special Audit Report", for the period August 1, 2000 through September 30, 2001, ("the Period"). These procedures were performed solely to determine and evaluate the Monroe County Office of Economic Development's (MCOED) procedures used in recording grant receipts and expenditures related to the Ohio Department of Development's First Frontier Fund Projects and the Ohio Department of Development's Appalachian Regional Commission Monroe County Business Marketing Program Grant.

This engagement was conducted in accordance with consulting standards established by the American Institute of Certified Public Accountants. The procedures and associated results are detailed in the attached "Supplement to the Special Audit Report". A summary of our results are as follows:

1. We reviewed the financial activity of a tourism checking account operated by MCOED as it related to a 48 page tourism brochure for 2000-2001 and its associated grant from the Ohio Department of Development (ODOD) First Frontier Fund Projects.

Significant Results: The Monroe County Commissioners established a Workforce Development Agency through the Ohio Department of Job and Family Services (ODJFS); however, the Board of County Commissioners did not establish a workforce development fund. We issued a noncompliance citation and recommended that the Board of County Commissioners establish a workforce development fund to account for their workforce development activities.

We issued a finding for recovery of \$750 against MCOED in favor of ODOD's First Frontier Fund to receive its share of a refund received by MCOED from a vendor for a project partially funded by ODOD.

MCOED deposited a refund and receipts generated from the sale of advertisements into a separate tourism checking account not maintained on the County's ledgers. This account was subsequently brought onto the County's ledgers and was titled the Tourism Holding Account Fund. The original expenses of the tourism grant were incurred by the Monroe County Department of Job and Family Services Public Assistance Fund. We issued findings for adjustment totaling \$12,755 against the Tourism Holding Account in favor of the Monroe County Department of Job and Family Services Public Assistance Fund related to the refund and advertisement receipts collected. Additionally, we issued findings for adjustment totaling \$1,556 against the Marketing Holding Account Fund and Public Assistance Fund in favor of the Tourism Holding Account Fund for operating expenses incurred by the Tourism checking account on their behalf.

MCOED collected \$9,005 and \$13,748 from the local businesses for advertisements purchased for in 48 and 56 page tourism brochures, respectively, and deposited most of those receipts into a separate tourism checking account that was not recorded on the County's ledgers. Additionally, these collections were often not deposited in a timely manner being deposited in the designated depository between 3 to 60 days from the date of receipt. We issued noncompliance citations for not establishing a Tourism Grant Fund and issued management comments concerning recording receipts on the County's ledgers and depositing timely.

Expenditures of the tourism and marketing checking accounts were not properly encumbered or made on a proper County warrant. We issued noncompliance citations regarding these matters.

We also issued management comments related to the County's recording of on-behalf payments, payment of sales tax, accounting for an anticipated refund from a vendor, and allowable use of the Tourism Holding Account fund balance.

2. We reviewed the financial activity of a tourism checking account operated by the Monroe County Office of Economic Development (MCOED) as it related to a 56 page tourism brochure for 2002-2003 and its associated grant from the Ohio Department of Development (ODOD) First Frontier Fund Projects.

Significant Results: The significant of results of Issue No. 1 are also applicable to this issue.

3. We reviewed the financial activity of the Monroe County Marketing Grant Fund operated by the County and a separate marketing checking account operated by MCOED (MCOED) as it related to the Monroe County Business Marketing Program Grant received from the Ohio Department of Development (ODOD), Appalachian Regional Commission (ARC), Governor's Office of Appalachia.

Significant Results: In accordance with marketing assistance contracts MCOED entered into with various local businesses, MCOED paid a vendor \$2,700 for services that were not provided. These services included development of a web-site, a computer generated trail map, a video production, and advertisements in a magazine. We issued a finding for recovery against the vendor to recover these funds. We also issued a finding for recovery of \$150 against another vendor to which MCOED made an overpayment for services.

As a condition of the grant, MCOED committed to providing \$4,000 from the Monroe County Department of Job and Family Services. However, the match was not transferred to the Marketing Grant Fund or credited to the Marketing Grant Fund on the County's ledgers. As a result, we issued a finding for adjustment of \$4,000 against the Public Assistance Fund in favor of the Marketing Grant Fund.

MCOED entered into 77 applications/contracts with local businesses for assistance for marketing/advertising services and collected \$7,800 from local businesses for their shares of the projects. Most of these receipts were deposited into a marketing checking account which was not recorded on the County's ledgers and the remaining was deposited into the Marketing Holding Account Fund on the County's ledgers. As of the date of this report, 9 local businesses have not paid for their share of their marketing assistance contracts totaling \$1,725. We issued a management comment concerning MCOED establishing policies and procedures to ensure the full collection of project costs from local businesses.

Noncompliance citations reported in Issue No. 1 also apply to this Issue.



We also issued management comments related to obtaining approval from the granting agency before using program income generated in excess of that required by the grant to meet matching requirements, and more active monitoring of grant activity by the County Department of Job and Family Services and the County Commissioners.

4. On September 10, 2002, we held an exit conference with the following elected officials and administrative staff:

Mark Forni, County Commissioner  
Gary Hudson, County Commissioner  
Mitchell Schumacher, County Commissioner  
Pandora Neuhart, County Auditor  
Lynn Riethmiller, County Prosecuting Attorney  
Jeanette Knuchel, County Auditor Financial Supervisor  
Vaughn Smith, Director of Job and Family Services  
Louis Stein, Economic Developer  
Stephanie Rouse, Tourism Director

These individuals were given an opportunity to respond to this special audit report.

This report is intended for the use of the specified users listed above and should not be used by anyone other than those specified users. 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

July 26, 2002

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## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### BACKGROUND INFORMATION

We received a request signed by two of the three Monroe County Commissioners for an audit and investigation of the financial activity of two checking accounts operated by MCOED. The checking accounts were opened for the purposes of accounting for two tourism grants and a marketing grant received by the County. The Commissioners were concerned that the checking accounts were not included on the County's financial records and that expenses paid out of the checking accounts did not relate to the specific grants for which the checking accounts were established. At the end of September, 2001, at the discretion of the County Commissioners, the County Auditor obtained control over these two accounts. After reviewing the activity of the two accounts, the County Auditor established the Tourism Holding Account Fund and Marketing Holding Account Fund, agency funds, to account for the financial activity of these grants.

In 2000, the Monroe County Department of Job and Family Services entered into contract services with two Economic Developers and one Tourism Director and compensated them from the Department of Job and Family Services Public Assistance Fund. In 2001, the Monroe County Department of Job and Family Services and the Monroe County Commissioners entered into contract services with two Economic Developers and one Tourism Director and compensated them from the Department of Job and Family Services Public Assistance Fund. The Office of Economic Development is located in an office in the Monroe County Courthouse. According to the County Auditor, Pandora Neuhart, these employees are not considered to be employees of the County.

MCOED and the Monroe County Department of Job and Family Services entered into three grant agreements during the special audit period: two Tourism Grants and a Monroe County Business Marketing Grant. The grant agreements were signed by the Economic Developers and the Director of the Monroe County Department of Job and Family Services.

The first Tourism Grant was from First Frontier funds which were appropriated by the Ohio General Assembly to the Ohio Department of Development. The Ohio Department of Development served as the fiscal agent for the grant. The first grant was for \$22,972, and required a 50% local match. The grant was to be used for a 48-page tourism brochure from E. Grace Communications. According to the Monroe County Department of Job and Family Services, the County's match was paid from Temporary Assistance for Needy Families (TANF) monies. However, according to the County Auditor, the County's match came from local dollars. The Tourism Director and the Economic Developers were advised by the Monroe County Job and Family Services Director to open a checking account for the tourism grant. Monies collected from local businesses to place advertisements in the tourism brochure were deposited into the tourism checking account. The County Auditor's office issued a warrant to the Ohio Department of Development First Frontier in the amount of \$11,486 from the Department of Job and Family Services Public Assistance Fund.

The second tourism grant was also from First Frontier funds and was for \$21,844, with a 50% local match. The grant was to be used for a 56-page tourism brochure.

MCOED and Department of Job and Family Services applied for and were awarded a Monroe County Business Marketing Program Grant from the Appalachian Regional Commission (ARC) in the amount of \$50,000. \$40,000 of the grant was federal monies from ARC and \$10,000 of the grant was a local match. The local match was made up of \$4,000 local monies and \$6,000 program income. The federal portion of the grant monies drawn down were deposited into a fund on the County Auditor's ledgers. The \$4,000 local match was not deposited into this fund nor was the \$6,000 program income. The program income was generated by establishing web sites, television advertisements and newspaper advertisements for local businesses and charging them a portion of the cost of these services. The program income was deposited into a Monroe County Business Marketing checking account. The checking account activity was not included on the County Auditor's ledgers and the County was concerned that expenses paid from the checking account did not relate to the grant. Expenditures for establishing the local business web sites, television and newspaper advertisements from the federal portion of the grant were posted to the County's ledgers.

On November 13, 2001, the above information was presented to the Auditor of State's Special Audit Committee which voted to initiate a special audit.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE NO. 1 – 48-PAGE TOURISM BROCHURE

We reviewed the financial activity of a tourism checking account operated by the Monroe County Office of Economic Development (MCOED) as it related to a 48 page tourism brochure for 2000-2001 and its associated grant from the Ohio Department of Development (ODOD) First Frontier Fund Projects.

#### PROCEDURES

1. We interviewed various County personnel, including the County Commissioners, County Auditor, County Auditor Financial Supervisor, Directors of Economic Development, Tourism Director, and the Director of Job and Family Services, to identify procedures used to maintain and record grant receipt and disbursement activity.
2. We obtained copies of the grant agreement, approval of the grant and approval of the grant budget. We obtained copies of any changes to the grant agreement and subsequent approvals obtained.
3. We obtained a copy of the established rates charged to local businesses for advertisements included in the 48-page tourism brochure. We verified collections from the local businesses were deposited into the tourism checking account.
4. We obtained a copy of the 48-page tourism brochure and determined whether the brochure contained advertisements of those local businesses purchasing advertisements and whether it contained advertisements for which MCOED had no record of payment.
5. We determined the amount ODOD First Frontier paid E. Grace Communications, Inc., for the 48-page tourism brochure. We determined the amount of County expenditures to ODOD First Frontier and E. Grace Communications, Inc., for the tourism brochure and the funds from which the expenditures were made.
6. We tested all expenditures from the tourism checking account and determined whether the expenditures were made in accordance with the grant agreement.
7. We determined where the refunds from E. Grace Communications, Inc., were deposited and who should have received the refunds.

#### RESULTS

1. We obtained an understanding of the procedures used for maintaining and recording the Tourism Grant receipts and expenditures. The Monroe County Commissioners established a Workforce Development Agency through the Ohio Department of Job and Family Services (ODJFS); however, the Board of County Commissioners did not establish a workforce development fund.
2. The Ohio Department of Development's First Frontier Fund Project Form (project authorization form) indicated MCOED was awarded a grant of \$22,972, for a 48-page, 4 color brochure promoting attractions, sites of interest and shops to develop tourism in Monroe County. The 48-page brochure was to be designed and published by E. Grace Communications. E. Grace Communications was to provide 40,000 copies of the brochure. The project was to begin on July 1, 2000, and be completed by November 1, 2000. The funding sources of the grant were \$11,486 from First Frontier funds and \$11,486 from the County's local match. No changes to the grant agreement (project authorization form) were required.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

3. The rates established by the Monroe County Economic Developers and the Tourism Director were contained on the Advertising Contract, 2000-2001 Visitors Guide. The rates were as follows:

<u>Type of Advertisement</u>	<u>Amount</u>
Simple Listing	\$25
Deluxe Listing	\$199
Half Page Color Ad	\$395
Full Page Color Ad	\$795
Map Sponsor	\$595
Premium Positioning	+15%

The terms of the contract also stated that a 2% discount was to be given on all ad space paid in full at the time the contract was signed.

MCOED provided a list of 84 local businesses which had advertisements placed in the 48-page tourism brochure. 60 local businesses had Simple Listings in the brochure, 12 local businesses had Deluxe Listings, 8 local businesses had Half Page Color Ads and 4 local businesses had Full Page Color Ads. Of the 84 local businesses, contracts were on file for only 65 of the local businesses.

Of the 84 local businesses, MCOED collected \$9,005 for advertisements from 74 of the local businesses. Of the 74, we noted 5 local businesses paid at a discounted rate or at a rate higher than the type of ad involved. In addition, there were 10 local businesses that had ads for which MCOED did not collect a fee. These are further discussed in Result No. 4.

Of the 5 local businesses that paid a rate different than for the ad involved, we noted the following:

- 2 local businesses paid \$50 for a Simple Listing since it exceeded the limit of two lines of text.
- 1 local business paid \$387 for a Half Page Color Ad due to receiving the 2% discount for paying for the advertisement at the time of signing the contract.
- 1 local business paid \$198 for a Half Page Color Ad due to working in conjunction with MCOED in mailing the tourism brochures.
- 1 local business paid \$695 for the Full Page Color Ad due to the owner of the business paying \$795 for a Full Page Color Ad for its other business and thus received a \$100 discount.

Collections from the local businesses in the amount of \$9,005 were deposited into a separate tourism checking account and were not recorded on the County's ledgers. Also, collections were not deposited in a timely manner. Collections were deposited into the tourism checking account anywhere from the same day of receipt to 60 days from the date of receipt. A management comment will be made concerning timely deposits of revenues received by MCOED and not recording these receipts on the County Auditor's receipts ledger. A noncompliance citation will be made for not establishing a Tourism Grant Fund.

The \$9,005 collected from local businesses and deposited into the tourism checking account were intended to defray the cost of the 48-page tourism brochure. The County's 50% share of the 48-page tourism brochure amounted to \$11,486 and was paid from the Monroe County Department of Job and Family Services' Public Assistance Fund – Other Expenses line item. The collections from the local businesses should be used to reimburse the Public Assistance Fund from which the original expenditure for the brochure was made. When the County Auditor's office took over the tourism checking account, the balance was transferred to the County's corporate bank account and recorded on the County's ledgers in the Tourism Holding Account Fund, Agency Fund Type. Therefore, a finding for adjustment will be made against the Tourism Holding Account Fund, Agency Fund Type, in the amount of \$9,005 in favor of the Monroe County Department of Job and Family Services' Public Assistance Fund.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We also noted that a deposit of \$68 for charges in conjunction with the Monroe County Business Marketing Program Grant was made into the tourism checking account. The \$68 error in depositing to the wrong account was corrected by the County Auditor's office after taking control of the tourism checking account.

4. As noted in Result No. 3, 74 local businesses purchased ads in the brochure. Our review noted that each of these local businesses received the type of ads for which they paid.

10 local businesses received ads; however; MCOED did not collect a fee for the following reasons:

- 1 local business was not charged for a Simple Listing since it was excluded from the walking tour put on by MCOED.
- 1 local business was not charged for a Simple Listing since the owner had paid for a Deluxe Listing for its other business.
- 1 local business has not paid for a Deluxe Listing due to financial hardship.
- 1 local business received a Deluxe Listing free of charge since the local business provided free press releases to MCOED for the tourism brochure.
- 1 local business received a Half Page Color Ad free of charge since one of the Economic Developers determined the need for citizens to know the business existed.
- As of the date of this report, 5 local businesses have not paid for their Simple Listings.

In addition, the tourism brochure included a Simple Listing for a local business which neither had a contract on file nor did the local business pay for the listing.

Our review of the brochure noted that in addition to advertisements there were also listings for 27 "attractions" and 15 "recreation and leisure activities." There were no contracts on file for 23 of the 27 "attractions" listings. For the remaining 4 "attractions," contracts were on file for 4 local businesses that had purchased Simple Listings or Full Page Color advertisements

There were no contracts on file for 14 of the 15 "recreation and leisure activities." One of the "recreation and leisure" listings had a contract on file for which the local business had paid for a Full Page Color Ad for its other local businesses.

At the time of preparation, the Tourism Director researched the attractions and recreation and leisure activities located in Monroe County and decided which were to be included in the tourism brochure. No charges were made for these listings. Some of these would not constitute actual businesses.

5. The Monroe County Auditor's office paid an initial deposit of \$3,000 from the Public Assistance Fund – Other Expense line item to E. Grace Communications for the 48-page tourism brochure. The Monroe County Auditor's office paid \$11,486 from the Public Assistance Fund – Other Expense line item to ODOD's First Frontier Fund Project for its 50% share of the tourism grant.

The Ohio Department of Development's First Frontier Fund Project paid E. Grace Communications \$22,972 for the 48-page tourism brochure when completed in accordance with the ODOD First Frontier Fund Project Form. ODOD's First Frontier Fund Project 50% portion of the tourism grant was not recorded on the County's ledgers as a receipt and expenditure as required for on-behalf-of grants. A management comment will be made concerning procedures for accounting for on-behalf-of grants.

While researching the initial deposit of \$3,000 for the 48-page tourism brochure, we noted MCOED was also awarded a grant of \$3,000 through ODOD's First Frontier Fund Project for a web-site to promote economic development and tourism in Monroe County. The funding sources of the grant were \$1,500 from First Frontier funds and \$1,500 for the County's local match. ODOD's First Frontier Fund Project 50% portion of the tourism grant was not recorded on the County's ledgers as a receipt and expenditure as required for on-behalf-of grants. A management comment will be made concerning procedures for accounting for on-behalf-of grants.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

6. 48 expenditures were made from the tourism checking account, as follows:

<u>Purpose of Expenditure</u>	<u>Number of Transactions</u>	<u>Amount</u>
Business Marketing Program Grant	27	\$8,916
General Office Expense	18	1,347
4-page Brochure	1	1,622
Voided	<u>2</u>	<u>1,010</u>
	<u>48</u>	<u>\$12,895</u>

We reviewed supporting documentation for each of the expenditures from the account and noted the following exceptions:

- The checks written from MCOED tourism checking account did not go through the purchase order system nor were they on a County Auditor warrant drawn against an appropriate fund. Noncompliance citations will be made concerning expenditures not going through the purchase order system and not being drawn on a County Auditor warrant against an appropriate fund.
- When the County Auditor's office took over the tourism checking account and the marketing grant checking account, adjustments were made in the amount of \$8,707 from the marketing checking account to the tourism checking account for the 27 expenditures. Once the adjustments were made by the County Auditor's office, the County established a Marketing Holding Account Fund, Agency Fund Type, and a Tourism Holding Account Fund, Agency Fund Type. The adjusted balances were then recorded to the respective funds on the County's ledgers. Therefore, a finding for adjustment will be made against the Marketing Holding Account Fund, Agency Fund Type, in the amount of \$209, and in favor of the Tourism Holding Account Fund, Agency Fund Type, for the expenditures which related to the Monroe County Business Marketing Program Grant and made from the tourism checking account.
- The expenditures for regular office expenses should have been paid from the Public Assistance Fund – Other Expenses line item for which a budget had been established for these types of expenditures for MCOED. Therefore, a finding for adjustment will be made against the Public Assistance Fund – Other Expenses line item in the amount of \$1,347, and in favor of the Tourism Holding Account Fund, Agency Fund Type, for expenditures which related to general operating expenses of MCOED.
- MCOED was initially awarded a grant of \$8,457 through ODOD's First Frontier Fund Project for a 4-page brochure to feature 8 to 10 successful businesses within Monroe County. The 4-page brochure was to be designed and published by Falcon Design and Marketing. Falcon Design and Marketing was to provide 5,000 copies of the brochure. The brochures were to be completed in May, 2001. The funding sources of the grant were \$4,229 from First Frontier funds and \$4,228 from the County's local match. MCOED determined that only 2,500 copies of the 4-page brochure would be needed. Therefore, the total cost of the project was reduced to \$3,243 of which \$1,622 would be funded through First Frontier funds and \$1,621 would be the County's local match. MCOED paid an initial deposit of \$1,621 from the tourism checking account to Falcon Design and Marketing. The Monroe County Auditor's office paid \$1,621 from the Public Assistance Fund – Other Expenses line item to ODOD's First Frontier Fund Project for its 50% share of the grant through ODOD's First Frontier Fund Project. On July 12, 2002, the County Auditor's office received a refund from Falcon Design and Marketing in the amount of \$1,621 for the initial deposit and posted the refund to the Tourism Holding Account Fund, Agency Fund Type, on the County Auditor's ledgers, based on our recommendation. Also, upon payment of the entire project by ODOD's First Frontier, the County Auditor's office should record a receipt and expenditure for the on-behalf-of payment by ODOD's First Frontier. Management comments will be made concerning procedures for accounting for on-behalf-of grants and recording of the initial deposit from Falcon Design and Marketing.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- 7 expenditures included sales tax. Since the County maintains a tax exempt status, they are not required to pay sales tax. A management comment will be made concerning the payment of sales tax by MCOED.
7. On December 18, 2000, E. Grace Communications refunded the initial deposit of \$3,000 for the 48-page brochure. The refund was deposited into the tourism checking account on January 2, 2001. The initial deposit to E. Grace Communications was paid from the Public Assistance Fund – Other Expenses line item. A finding for adjustment will be made against the Tourism Holding Account Fund, Agency Fund Type, in the amount of \$3,000, and in favor of the Public Assistance Fund.

On December 18, 2000, E. Grace Communications also refunded \$1,500 to MCOED for a printer's discount. The refund was deposited into the tourism checking account on January 2, 2001. Since the grant through ODOD's First Frontier Fund Project was a 50/50 match, 50% of the \$1,500 printer's discount should have been refunded to ODOD's First Frontier Fund Project and 50% should have been refunded to the Public Assistance Fund from which the County's 50% share was paid. Therefore, a finding for recovery will be made against the Tourism Holding Account Fund, Agency Fund Type, in the amount of \$750, and in favor of ODOD's First Frontier Fund Project. And a finding for adjustment will be made against the Tourism Holding Account Fund, Agency Fund Type, in the amount of \$750, and in favor of the Public Assistance Fund.

### FINDING FOR RECOVERY

MCOED entered into a grant agreement with the Ohio Department of Development's (ODOD) First Frontier Fund Project for a 48-page tourism brochure. The grant was funded 50% by ODOD's First Frontier and 50% by the Monroe County Department of Job and Family Services. MCOED received a refund in the amount of \$1,500 for a printer's discount from E. Grace Communications and deposited the check in the tourism checking account. Based on the grant being funded 50% by ODOD's First Frontier Fund Project and 50% by the Monroe County Department of Job and Family Services, the printer's discount should be split 50% to ODOD's First Frontier Fund Project and 50% to Monroe County Department of Job and Family Services.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for monies collected but not remitted is hereby issued against the Monroe County Tourism Holding Account Fund, Agency Fund Type, in the amount of seven hundred fifty dollars (\$750), and in favor of the Ohio Department of Development's First Frontier Fund Project.

### FINDINGS FOR ADJUSTMENT

1. Ohio Rev. Code Section 5705.10 states, in pertinent part: "Money paid into any fund shall be used only for the purposes for which such fund is established."

MCOED entered into a grant agreement with the Ohio Department of Development's (ODOD) First Frontier Fund Project for a 48-page tourism brochure. The grant was funded 50% by ODOD's First Frontier and 50% by the Monroe County Department of Job and Family Services. MCOED received a refund in the amount of \$1,500 for a printer's discount from E. Grace Communications and deposited the check in the tourism checking account. Based on the grant being funded 50% by ODOD's First Frontier Fund Project and 50% by the Monroe County Department of Job and Family Services, the printer's discount should be split 50% to ODOD's First Frontier Fund Project and 50% to Monroe County Department of Job and Family Services.

E. Grace Communications, the publisher of the brochure, required an initial deposit to design and publish the 48-page tourism brochure. The County Auditor warrant for the initial deposit was expended from the Monroe County Department of Job and Family Services' Public Assistance Fund. MCOED received a refund in the amount of \$3,000 for the initial deposit required for the project and deposited the check in the tourism checking account. The refund of the initial deposit should have been credited to the Public Assistance Fund from which the initial deposit was made.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.10, a Finding for Adjustment is hereby issued against the Monroe County Tourism Holding Account Fund, Agency Fund Type, in the amount of three thousand seven hundred fifty dollars (\$3,750), and in favor of the Monroe County Department of Job and Family Services' Public Assistance Fund.

2. Ohio Rev. Code Section 5705.10 states, in pertinent part: "Money paid into any fund shall be used only for the purposes for which such fund is established."

MCOED expended monies from the tourism checking account for goods and/or services pertaining to the Monroe County Business Marketing Program Grant in the amount of \$8,916. After the County Auditor's office took over MCOED's tourism checking account and marketing checking account, an adjustment of \$8,707 was made to correct the errant postings. However, \$209 remains uncorrected. Therefore, the Marketing Holding Account Fund, Agency Fund Type, owes the Tourism Holding Account Fund, Agency Fund Type, for expenditures made from the tourism checking account which pertained to the Monroe County Business Marketing Program Grant.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.10, a Finding for Adjustment is hereby issued against the Monroe County Marketing Holding Account Fund, Agency Fund Type, in the amount of two hundred nine dollars (\$209), and in favor of the Monroe County Tourism Holding Account Fund, Agency Fund Type.

3. Ohio Rev. Code Section 5705.10 states, in pertinent part: "Money paid into any fund shall be used only for the purposes for which such fund is established."

Contracts between the Monroe County Department of Job and Family Services, Board of County Commissioners and Monroe County Economic Developers and the Director of Tourism state that the Monroe County Department of Job and Family Services shall provide all reasonable leased office space, office expense, equipment and other overhead expenses for the performance of work. MCOED expended monies from the tourism checking account for goods and/or services pertaining to general operating costs. Goods and/or services paid from the tourism checking account in the amount of \$1,347 pertaining to general operating costs should have been paid from the Monroe County Department of Job and Family Services' Public Assistance Fund – Other Expenses line item which contained budget amounts for such expenses.

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section 5705.10, a Finding for Adjustment is hereby issued against the Monroe County Department of Job and Family Services' Public Assistance Fund – Other Expenses line item in the amount of one thousand three hundred forty-seven dollars (\$1,347), and in favor of the Monroe County Tourism Holding Account Fund, Agency Fund Type.

4. Ohio Rev. Code Section 5705.10 states, in pertinent part: "Money paid into any fund shall be used only for the purposes for which such fund is established."

MCOED collected \$9,005 from local businesses for the purchase of advertisements to be included in the 48-page tourism brochure. These collections were to help defray the cost of the 48-page tourism brochure and were deposited into the tourism checking account. The County's 50% share of the brochure amounted to \$11,486 and was paid from the Monroe County Department of Job and Family Services' Public Assistance Fund – Other Expenses line item. The collections from the local businesses should be used to reimburse the Public Assistance Fund from which the original expenditure for the brochure was made.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.10, a Finding for Adjustment is hereby issued against the Monroe County Tourism Holding Account Fund, Agency Fund Type, in the amount of nine thousand five dollars (\$9,005), and in favor of the Monroe County Department of Job and Family Services' Public Assistance Fund.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### NONCOMPLIANCE CITATIONS

1. Ohio Rev. Code Section 6301.03(B)(2) provides: "If a board of county commissioners administering workforce development activities at the local level designates as its workforce development agency an entity for which the board maintains responsibility or control, but which is not the county department of job and family services, the board shall establish a county workforce development fund, and the entity receiving the funds shall deposit all funds received under this section into the county workforce development fund. All expenditures for activities funded under this section shall be made from the county workforce development fund."

Consistent with that provision, Article XVI, Paragraph D of Partnership Agreement Amendment No. 2 entered on June 19, 2000, by the Commissioners and the Ohio Department of Job and Family Services (ODJFS) states, in pertinent part: "The Board agrees to establish a county workforce development fund and deposit all funds allocated by ODJFS for workforce development activities covered by this amendment into the county workforce development fund as required by division (B)(2) of section 6301.03 of the Revised Code. The Board further agrees that all expenditures for activities funded under this Article will be made from this fund...." This amendment was effective by its terms on July 1, 2000.

The County has not established a county workforce development fund to account for its workforce development activities as required by Ohio Rev. Code Section 6301.03(B)(2) and Amendment No. 2 of the Partnership Agreement cited above.

We recommend the County establish a workforce development fund pursuant to Ohio Rev. Code Sections 6301.03 (B)(2) and that workforce development monies collected pursuant to Chapter 6301 of the Revised Code for the period July 1, 2000 forward, be deposited into that fund.

2. Ohio Rev. Code Section 5705.09 states, in pertinent part: "Each subdivision shall establish the following funds: (F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose."

The Board of County Commissioners did not approve the establishment of a Tourism Grant fund to record the grant receipts and expenditures. As a result the tourism grant revenues and expenditures were not reported on the County's financial statements.

We recommend the Board of County Commissioners pass a formal ordinance or resolution regarding the establishment of a Tourism Grant Fund, Special Revenue Fund Type. The ordinance or resolution should include the source of revenue and the type of expenditures of this fund. We further recommend that the County adjust activity and fund balances related to the tourism grants maintained in other County funds to the newly created Tourism Grant Fund.

3. Ohio Rev. Code Section 5705.41(C) states no subdivision is to expend money except by a proper warrant drawn against an appropriate fund.

MCOED expended monies from the tourism checking account and marketing checking account for obligations of the Tourism Grants and Monroe County Business Marketing Program Grant. These obligations should have been made on a County Auditor warrant. By not issuing expenditures on County Auditor warrants, obligations were paid from the wrong checking account and in the case of the Business Marketing Grant, some vendors were paid twice.

We recommend the Board of County Commissioners and County Auditor develop internal control procedures to ensure that all expenditures of the County are made on a proper warrant drawn against an appropriate fund.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

4. With certain exceptions, Ohio Rev. Code Section 5705.41(D)(1) provides in pertinent part that no subdivision or taxing unit shall “make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation... has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances...” It further states: “Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.” This section also provides two “exceptions” to the above requirements:
  - A. Then and Now Certificates - If no certificate is furnished as required upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
  - B. If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of County Commissioners.

Certain liabilities, contracts, and open purchase commitments greater than one hundred dollars, were not certified by the County Auditor and were not encumbered. These commitments were not subsequently approved by the Board of County Commissioners within the aforementioned 30 day time period.

All of the obligations paid by MCOED from the tourism checking account and marketing checking account were not encumbered prior to incurring the obligations.

We recommend the Board of County Commissioners, County Auditor and Monroe County Office of Economic Development ensure that all expenditures are properly encumbered at the time the obligation is incurred.

### MANAGEMENT COMMENTS

#### On-Behalf-Of Grants

When a local government enters into an on-behalf-of program agreement with the state or another local government whereby the local government or its residents are the beneficiaries under the agreement, the cash benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2000 and 2002, MCOED received \$1,500, \$11,486, \$10,922 and \$1,622 from the Ohio Department of Development’s First Frontier Fund Program for the design of a web-site, a 48-page tourism brochure, a 56-page tourism brochure and a 4-page brochure. The County did not record memorandum receipts and expenditures for the web-site and brochures. This caused the County’s receipts and expenditures to be understated.

We recommend MCOED and Monroe County Auditor and Commissioners refer to Auditor of State Bulletin 2000-008 when receiving on-behalf-of grants to ensure the on-behalf-of grants are accurately budgeted for and recorded on the County’s ledgers and financial statements.

#### Tourism Brochure Advertisement Fees

Monies received from local businesses for advertisements in the 48 and 56 page tourism brochures should have been recorded on the County Auditor’s receipts ledger.

No fund had been established by the County for the tourism grants. Therefore, the County’s receipts and appropriations ledgers were understated by the receipts collected from the local businesses and expenditures pertaining to the grant.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend that when any County department enters into a grant agreement, the Board of County Commissioners approve the grant and establish the necessary funds to ensure receipts and expenditures pertaining to the grants are recorded on the County's ledgers.

### Timely Deposits

Monies received by MCOED should be deposited in the designated depository or with the County Auditor by the business day following the day of receipt or within a reasonable period of time.

47% of receipts for the two tourism brochures tested were deposited in the designated depository 3 to 60 days from the date of receipt.

We recommend the Tourism Director deposit cash and/or checks received by MCOED into its designated depository or with the County Auditor on the business day following the day of receipt or within a reasonable period of time.

### Payment of Sales Tax

The County maintains a tax exempt status and is therefore, not required to pay sales tax when purchasing goods and/or services.

MCOED paid 7 invoices from the tourism checking account which included sales tax totaling \$18.

We recommend the Board of County Commissioners and the County Auditor review and approve all expenditures to ensure that sales tax is not paid for the purchase of goods and/or services.

### Falcon Design and Marketing Initial Deposit Refund

MCOED entered into a grant agreement with the Ohio Department of Development's (ODOD) First Frontier Fund Project for a 4-page brochure. The grant was funded 50% by ODOD's First Frontier Fund Project and 50% by MCOED. Falcon Design and Marketing, the publisher, required an initial deposit to design and publish the 4-page brochure. MCOED issued a check from the tourism checking account for the initial deposit. When the project is completed and Falcon Design and Marketing receives payment from ODOD's First Frontier, Falcon Design and Marketing should reimburse MCOED the initial deposit of \$1,622. This reimbursement should be credited to the Tourism Holding Account Fund, Agency Fund Type, from which the initial deposit was made.

MCOED received the reimbursement for the initial deposit from Falcon Design and Marketing on July 12, 2002.

We recommend the County record the reimbursement of the initial deposit to the credit of the Tourism Holding Account Fund, Agency Fund Type.

### Tourism Holding Account Fund Balance

The Tourism Holding Account Fund Balance remaining after all adjustments have been recorded should only be used for the promotion of tourism in Monroe County.

The Tourism Holding Account Fund Balance consists of revenues collected from local businesses for placing advertisements in the 48 and 56-page tourism brochures in excess of the cost of the brochures. Funds could be used for expenditures not related to tourism and/or the purpose for which the monies were collected.

We recommend that prior approval be obtained by MCOED from the Board of County Commissioners for all expenditures from the Tourism Holding Account Fund to ensure they are consistent with the promotion of tourism within the County.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE NO. 2 – 56-PAGE TOURISM BROCHURE

We reviewed the financial activity of a tourism checking account operated by the Monroe County Office of Economic Development (MCOED) as it related to a 56 page tourism brochure for 2002-2003 and its associated grant from the Ohio Department of Development (ODOD) First Frontier Fund Projects.

#### PROCEDURES

1. We interviewed various County personnel, including the County Commissioners, County Auditor, County Auditor Financial Supervisor, Directors of Economic Development, Tourism Director, and the Director of Job and Family Services, to identify procedures used to maintain and record grant receipt and disbursement activity.
2. We obtained copies of the grant agreement, approval of the grant and approval of the grant budget. We obtained copies of any changes to the grant agreement and subsequent approvals obtained.
3. We obtained a copy of the established rates charged to local businesses for advertisements included in the 56-page tourism brochure. We verified collections from the local businesses were deposited into the tourism checking account.
4. We obtained a copy of the 56-page tourism brochure and determined whether the brochure contained advertisements of those local businesses purchasing advertisements and whether it contained advertisements for which MCOED had no record of payment.
5. We determined the amount ODOD First Frontier paid River City Advertising for the 56-page tourism brochure. We determined the amount of County expenditures to ODOD First Frontier and River City Advertising for the tourism brochure and the funds from which the expenditures were made.
6. We tested all expenditures from the tourism checking account and determined whether the expenditures were made in accordance with the grant agreement.

#### RESULTS

1. We obtained an understanding of the procedures used for maintaining and recording the tourism grant receipts and expenditures. The Monroe County Commissioners established a Workforce Development Agency through the Ohio Department of Job and Family Services (ODJFS); however, the Board of County Commissioners did not establish a workforce development fund. A noncompliance citation regarding this was reported in Issue No. 1.
2. The Ohio Department of Development's First Frontier Fund Project Form (project authorization form) indicated MCOED was awarded a grant of \$21,844, for a 56-page 4 color brochure promoting attractions, sites of interest and shops to develop tourism in Monroe County. The 56-page brochure was to be designed and published by River City Advertising. River City Advertising was to provide 30,000 copies of the brochure. The project was to begin September, 2001 and be completed by January, 2002. The funding sources of the grant were \$10,922 from First Frontier funds and \$10,922 from the County's local match. No changes to the grant agreement (project authorization form) were required.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

3. The rates established by the Monroe County Economic Developers and the Tourism Director were contained on the Advertising Contract, Monroe County Visitor's Guide 2002-2003. The rates were as follows:

<u>Type of Advertisement</u>	<u>Amount</u>
Simple Listing	\$40
Deluxe Listing	\$249
Half Page Color Ad	\$449
Full Page Color Ad	\$849
Map Sponsor	\$595

The terms of the contract also stated that a 2% discount would be given on all ad space paid in full at the time the contract was signed.

MCOED provided a list of 113 local businesses which had advertisements placed in the 56-page tourism brochure. 82 local businesses had Simple Listings, 21 local businesses had Deluxe Listings, 7 local businesses had Half Page Color Ads and 3 local businesses had Full Page Color Ads. Of the 113 local businesses, 112 had contracts on file.

Of the 113 local businesses, MCOED collected \$13,748 for advertisements from 112 of the local businesses. Of the 112, we noted 6 local businesses paid at a discounted rate or at a rate higher than the type of ad involved. There was 1 local business that had an ad for which MCOED did not collect a fee. These are further discussed in Result No. 4.

Of the 6 local businesses that paid a rate different than for the ad involved, we noted the following:

- 2 local businesses paid \$80 for their Simple Listing since it exceeded the limit of two lines of text.
- 1 local business paid \$39 for a Simple Listing due to receiving the 2% discount for paying for the advertisement at the time of signing the contract.
- 1 local business paid \$32 for a Simple Listing due to the owner paying \$40 for two Simple Listings for its other businesses and thus received an \$8 discount
- 1 local business paid \$440 for a Half Page Color Ad due to receiving the 2% discount for paying for the advertisement at the time of signing the contract.
- 1 local business paid \$225 for a Half Page Color Ad due to working in conjunction with MCOED in mailing the tourism brochures.

Collections from 82 local businesses in the amount of \$9,062 were deposited into a separate tourism checking account and were not recorded on the County's ledgers. Collections from 29 local businesses in the amount of \$4,686 were deposited with the County Auditor's office to the credit of the Tourism Holding Account Fund, Agency Fund Type. No collections were made from one local business. Collections were deposited anywhere from the same day of receipt to 60 days from the date of receipt. Management comments were reported in Issue No. 1 concerning timely deposits of revenues received by MCOED and not recording these receipts on the County Auditor's receipts ledger. A noncompliance citation was also reported in Issue No. 1 for not establishing a Tourism Grant Fund.

The County's 50% share of the 56-page tourism brochure amounted to \$10,922 and was paid from the Tourism Holding Account Fund, Agency Fund Type. Collections in excess of the cost of the brochure should be used to promote tourism within Monroe County. Expenditures of the excess revenue should be reviewed and approved by the Board of County Commissioners prior to being made to ensure they are used to promote tourism within Monroe County. A management comment was reported in Issue No. 1 concerning expenditures of the balance of the Tourism Holding Account Fund, Agency Fund Type.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

4. The 56-page tourism brochure contained advertisements for local businesses in accordance with their respective contracts with the following exception:

- The tourism brochure contained a Deluxe Listing for a local business free of charge since the local business provided free press releases to MCOED for the tourism brochure.

The tourism brochure contained a Simple Listing for 12 local businesses which did not have a contract on file nor did the local businesses pay for the listings.

Our review of the brochure noted that in addition to advertisements, there were listings for 28 “attractions” and 13 “recreation and leisure activities.” There were no contracts on file for 20 of the 28 “attractions” listings. For the remaining 8 “attractions,” contracts were on file for local businesses that had purchased Full Page Color, Deluxe Listing, or Simple Listing advertisements.

There were no contracts on file for 12 of the 13 “recreation and leisure activities.” One of the “recreation and leisure activities” listings had a contract on file for which the local business had paid for a Full Page Color advertisement.

At the time of preparation, the Tourism Director researched the attractions and recreation and leisure activities located in Monroe County and decided which were to be included in the tourism brochure. No charges were made for these listings. Some of these would not constitute actual businesses.

5. The Monroe County Auditor’s office paid \$10,922 from the Tourism Holding Account Fund, Agency Fund Type, to ODOD’s First Frontier Fund Project for the County’s 50% share of the tourism grant.

The Ohio Department of Development’s First Frontier Fund Project paid River City Advertising \$21,844 for the 56-page tourism brochure when completed in accordance with the ODOD First Frontier Fund Project Form. ODOD’s First Frontier Fund Project 50% portion of the tourism grant was not recorded on the County’s ledgers as a receipt and expenditure as required for on-behalf-of grants. A management comment was reported in Issue No. 1 concerning procedures for accounting for on-behalf-of grants.

6. Results of our review of disbursements from the tourism checking account are reported in Result No. 6 of Issue No. 1.

**Note:** Findings for adjustment, noncompliance citations, and management comments related to the results of our review of the activity of the tourism checking account are included in Issue No. 1 rather than repeated here.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### ISSUE NO. 3 – MONROE COUNTY BUSINESS MARKETING PROGRAM GRANT

We reviewed the financial activity of the Monroe County Marketing Grant Fund operated by the County and a separate marketing checking account operated by MCOED as it related to the Monroe County Business Marketing Program Grant received from the Ohio Department of Development (ODOD), Appalachian Regional Commission (ARC), Governor's Office of Appalachia.

#### PROCEDURES

1. We interviewed various County personnel, including the County Commissioners, County Auditor, County Auditor Financial Supervisor, Directors of Economic Development, Tourism Director, and the Director of the County Department of Job and Family Services, to identify procedures used to maintain and record grant receipt and disbursement activity.
2. We obtained copies of the grant agreement, approval of the grant and approval of the grant budget. We obtained copies of any changes to the grant agreement and subsequent approvals obtained.
3. We obtained a copy of the established rates charged to local businesses for web sites and e-mail distribution; radio, cable and television advertisements; newspaper, magazine and other print advertisements; logo's; brochures; direct mail; marketing lists; catalogs; and menu's and price lists. We verified collections from businesses were deposited into the marketing checking account or the Monroe County Marketing Grant Fund.
4. We contacted businesses and/or looked up web sites and e-mail distribution; radio, cable and television advertisements; newspaper, magazine and other print advertisements; logo's; brochures; direct mail; marketing lists; catalogs; and menu's and price lists to determine if the web sites were established; advertisements were aired on the radio or television and/or printed in the newspaper or magazines; or logo's were designed; marketing lists, catalogs, and menu's and price lists were designed and printed. If established, aired, printed or designed, we determined what expenditures were made by the County to pay for the services provided. If not established, aired, printed, or designed, we determined whether businesses were refunded their portion of the services.
5. We determined what funds were used to pay the County's portion of the grant.
6. We tested all expenditures from the separate marketing checking account operated by MCOED and the Marketing Grant Fund on the County Auditor's appropriation ledger.

#### RESULTS

1. We obtained an understanding of the procedures used for maintaining and recording the Monroe County Business Marketing Program Grant receipts and expenditures.
2. MCOED received a Monroe County Business Marketing Program Grant in the amount of \$50,000 from the Ohio Department of Development's Appalachian Regional Commission (ARC), Governor's Office of Appalachia. The grant was to provide marketing education and assistance to small businesses within Monroe County that produced goods or services that could be sold within and outside the county. MCOED was to provide a central marketing program for the county that could assist small to medium size businesses who did not have the staff, knowledge, or funds to implement their own marketing program. The funding sources of the grant were \$40,000 from ARC and \$10,000 from the County's local match. The County's local match was to be provided through \$4,000 from the Monroe County Department of Job and Family Services and \$6,000 from program income. The period of performance for the project was January 1, 2000 to December 31, 2000. The period of performance for the project was amended to October 1, 2000 through September 30, 2001, as approved by ARC. The period of performance for the project was again extended through December 31, 2001, as approved by ARC. One amendment of the budget was approved by ARC which transferred \$23,500 from the Personnel to the Contractual budget category and \$500 from the Supplies to the Contractual budget category.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A copy of the letter of commitment for the grant's \$4,000 local match from the Monroe County Department of Job and Family Services was obtained.

3. Various vendors designed and/or published web-sites, newspaper advertisements, television commercials/spots, billboards, brochures, business cards, postcards, letterhead paper and envelopes and catalogs. Project costs were based on the various vendors' charges to provide the advertising services requested. The back of the Monroe Marketing Company Application for Marketing Assistance indicated the cost of the advertising services would be on a cost-sharing basis. The local businesses' share of the project cost would be 30% and MCOED's share of the project cost would be 70%.

MCOED accepted and approved 77 applications for business assistance for marketing/advertising services and recorded receipts from local businesses which was considered program income as follows:

- 34 local businesses' shares of the project costs (5 partial payments) were deposited into the marketing checking account.
- 2 local businesses' shares of the project costs were deposited into the marketing checking account and the Marketing Holding Account Fund, Agency Fund Type, on the County's ledger;
- 3 local businesses' shares of the project costs (1 partial payment) were deposited into the Marketing Holding Account Fund, Agency Fund Type, on the County's ledgers.
- 1 local business' share of the project cost was \$67.50 and was deposited into the tourism checking account. The \$67.50 error in depositing to the wrong account was corrected by the County Auditor's office after taking control of the tourism and marketing checking accounts.

For the remaining 37 applications we noted the following:

- 20 local businesses' shares of the project costs were paid directly to the vendor providing the advertising services so no monies were received by MCOED.
- 8 of the applications for advertising services were for MCOED and therefore the cost-sharing would not have been applicable.
- 5 local businesses' project costs were not broken down based on the cost-sharing formula and thus no monies were received by MCOED.
- 3 local businesses' project costs have not been received for deposit as of the date of this report;
- One local business' project costs had not been received for deposit as of the date of this report due to the business not receiving its service per the application for business assistance.

A management comment will be made concerning MCOED establishing policies and procedures to ensure the full collection project costs from local businesses.

Of the 77 applications for business assistance for marketing/advertising services, we noted the following regarding the cost-sharing basis:

- 30 application project costs were in accordance with the cost-sharing basis as indicated on the back of the applications;
- 27 application project costs for the local businesses were less than the 30% cost-sharing basis as indicated on the back of the applications;
- 12 application project costs for the local businesses were greater than the 30% cost-sharing basis as indicated on the back of the applications;
- 8 were not applicable to the cost-sharing basis since they were for MCOED.

At the time the local businesses signed the application for assistance in marketing/advertising services, it was unclear whether the local businesses knew the cost-sharing paid would depart from the cost-sharing basis as provided on the back of the applications for business assistance.

A management comment will be made concerning the monitoring of grants by the County Commissioners and the Monroe County Department of Job and Family Service's Director.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

One application for business assistance for marketing/advertising services contained mathematical errors which resulted in an overpayment to the advertising vendor in the amount of \$150. A finding for recovery will be issued against New Vision Video in the amount of \$150, and in favor of the Marketing Grant Fund. A management comment will be made concerning the monitoring of grants by the County Commissioners and Monroe County Department of Job and Family Service's Director.

4. Of the 77 applications, we noted the following regarding the services provided:
- 68 of the local businesses received their advertising goods and/or services as stated on the applications for business assistance.
  - 1 local business web-site was not designed as stated on the application for business assistance. MCOED's share of the web-site which was not designed was \$600 and was paid in full from the Marketing Grant Fund on the County's ledgers to USPN Internet Technologies. The local business' portion had not been received by MCOED as of the date of this report.
  - 1 local business trail map project was not designed as stated on the application for business assistance. MCOED's share of the trail map project which was not designed was \$500 and was paid in full from the Marketing Grant Fund on the County's ledgers to USPN Internet Technologies. The local business remitted its share of the project cost of \$150 to MCOED and has not been refunded.
  - MCOED's video production was not designed as indicated on its agreement. The video production which was not designed was \$300 and was paid in full from the Marketing Grant Fund on the County's ledgers to USPN Internet Technologies.
  - 3 local businesses received advertisements for only 2 months publication of the Community Life magazine instead of 12 months as stated on the applications for business assistance. The 12 months publications of the Community Life magazine equaled \$1,380 of which \$1,150 was overpaid from the Marketing Grant Fund on the County's ledgers to USPN Internet Technologies.
  - 3 local businesses received advertisements for only 2 months publication of the Community Life magazine instead of 3 months as stated on the applications for business assistance. The 3 months publications of the Community Life magazine equaled \$450 of which \$150 was overpaid from the Marketing Grant Fund on the County's ledgers to USPN Internet Technologies.

A finding for recovery will be issued against USPN Internet Technologies in the amount of \$2,700, in favor of the Marketing Grant Fund for payment of services not provided.

A management comment will be made concerning the monitoring of grants by the County Commissioners and the Monroe County Department of Job and Family Service's Director.

5. During the audit period, MCOED drew down \$33,726 from ARC and deposited it in the Marketing Grant Fund. The disbursements from the Marketing Grant Fund were to pay for MCOED's portion, and local businesses' portions of the costs as indicated on the application for business marketing/advertising assistance. Result No. 6 of this issue contains the results of our review of the disbursements from this fund.

Receipt and expenditure information provided on the draw down requests was not always accurate and draw down requests were not reviewed and approved by anyone other than the Economic Developer who prepared them. A management comment will be made concerning the monitoring of grants by the County Commissioners and the Monroe County Department of Job and Family Service's Director.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A copy of the letter of commitment for the grant's \$4,000 local match from the Monroe County Department of Job and Family Services was obtained. The \$4,000 local match was not expended from the Public Assistance Fund nor was it credited to the Marketing Grant Fund on the County's ledgers. Therefore, a finding for adjustment will be made against the Monroe County Department of Job and Family Services' Public Assistance Fund in the amount of \$4,000 in favor of the Monroe County Marketing Grant Fund. No grant related expenditures were made from the \$4,000 local match.

During the audit period, MCOED also collected \$7,800 from local businesses from the sale of goods and services and deposited it into the separate marketing checking account not maintained on the County's ledgers and the Marketing Holding Account. These funds were used mostly to pay vendors providing advertising services to local businesses for the local businesses' portion of the project costs. Result No. 6 of this Issue contains the results of our review of the disbursements from this account.

As noted in Issue No. 1, there were also disbursements made from the tourism checking account pertaining to the Monroe County business marketing program grant. Result No. 6 of Issue No. 1 contains the results of our review of the disbursements from the tourism checking account.

6. 32 disbursements totaling \$33,021 were made from the Marketing Grant Fund on the County Auditor's appropriation ledger. 28 disbursements were for MCOED's portion of the costs as indicated on the applications for business marketing/advertising assistance and 4 disbursements were for MCOED's portion and the local businesses' portions of the costs as indicated on the applications for business marketing/advertising assistance. Disbursements were in accordance with the grant agreement.

MCOED made 7 disbursements totaling \$1,001 from the marketing checking account as follows:

- 5 disbursements totaling \$781 for payments to vendors providing advertising services to local businesses for the local businesses' portion of the cost-sharing basis of the project.
- 1 disbursement of \$195 to a local business as a refund of an overpayment of the local business' portion of the cost-sharing basis of the project cost.
- 1 disbursement for a marketing seminar fee of \$25.

No other expenditures were made from the marketing checking account. The remaining balance of the account in the amount of \$5,924 was transferred to the Marketing Holding Account Fund, Agency Fund Type, on the County's ledgers when the County Auditor's office took control of the marketing checking account.

As noted in Issue No. 1, there were also disbursements made from the tourism checking account pertaining to the Monroe County business marketing program grant. Result No. 6 of Issue No. 1 contains the results of our review of the disbursements from the tourism checking account.

The checks written from MCOED's marketing checking account did not go through the purchase order system nor were they on a County Auditor warrant drawn against an appropriate fund. A noncompliance citation was reported in Issue No. 1 concerning expenditures not going through the purchase order system and not being drawn on a County Auditor warrant against an appropriate fund.

In obtaining the grant, MCOED indicated that it would provide a \$10,000 local match with \$6,000 coming from program income. During the audit period MCOED generated \$7,800 in program income. A management comment will be made concerning contacting ARC prior to expending program income in excess of that required by the grant to ensure the expenditures are allowable.

## **SUPPLEMENT TO THE SPECIAL AUDIT REPORT**

### **FINDINGS FOR RECOVERY**

1. MCOED entered into a marketing assistance contract with a local business for television commercials/spots in the amount of \$1,500. The local business portion of the cost was \$500 and the MCOED's cost was \$1,000. The television commercials/spots were designed by New Vision Video. The local business paid New Vision Video \$500 for its share of the cost. MCOED remitted a payment of \$1,150 from the Marketing Grant Fund to New Vision Video for its share of the cost, resulting in an overpayment to New Vision Video in the amount of \$150 for the television commercials/spots.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against New Vision Video in the amount of one hundred fifty dollars (\$150), and in favor of the Monroe County Marketing Grant Fund.

2. MCOED entered into marketing assistance contracts with local businesses for a web-site, computer generated trail map, a video production, and advertisements in the Community Life magazine. The web design, computer generated trail map, video production, and Community Life magazine were to be designed or published by USPN Internet Technologies. MCOED remitted payment to USPN Internet Technologies for the web design, computer generated trail map, video production and Community Life magazine in the amount of \$2,700 from the Marketing Grant Fund. The web-site, computer generated trail map, and video production were not designed and only two months of the Community Life magazine were published by USPN Internet Technologies.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against USPN Internet Technologies in the amount of two thousand seven hundred dollars (\$2,700), and in favor of the Monroe County Marketing Grant Fund.

### **FINDING FOR ADJUSTMENT**

Ohio Rev. Code Section 5705.10 states, in pertinent part: "Money paid into any fund shall be used only for the purposes for which such fund is established."

MCOED entered into a Monroe County Business Marketing Program Grant agreement with the Appalachian Regional Commission in the amount of \$50,000. The grant was funded 80% by Appalachian Regional Commission and 20% by MCOED. The 20% match consisted of a \$4,000 local match from the Monroe County Department of Job and Family Services and \$6,000 from program income. The \$4,000 local match from the Monroe County Department of Job and Family Services was not transferred from the Public Assistance Fund – Other Expenses line item nor was it credited to the Marketing Grant Fund on the County Auditor's receipts ledger.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.10, a Finding for Adjustment is hereby issued against the Monroe County Department of Job and Family Services' Public Assistance Fund – Other Expenses line item in the amount of four thousand dollars (\$4,000), and in favor of the Monroe County Marketing Grant Fund.

### **NONCOMPLIANCE CITATIONS**

Noncompliance citations Nos. 3 and 4 as reported in Issue No. 1 are also applicable to Issue No. 3.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## MANAGEMENT COMMENTS

### Program Income

Office of Management and Budget (OMB) Circular A-102 (*Grants and Cooperative Agreements with State and Local Governments*), Attachment, Paragraph 2), Section e(1) states that agencies shall encourage grantees to generate program income to help defray program costs. However, federal agencies shall not permit grantees to use grant-acquired assets to compete unfairly with the private sector. The Appalachian Regional Commission has indicated that excess program income, beyond that required for the local match, can generally be applied to other related development projects.

MCOED entered into a Monroe County Business Marketing Program Grant agreement with the Appalachian Regional Commission in the amount of \$50,000. The grant was funded 80% by the Appalachian Regional Commission and 20% by MCOED. The 20% match consisted of a \$4,000 local match from the Monroe County Department of Job and Family Services and \$6,000 from program income. Program income was generated by charging local businesses a portion of the cost to advertise their businesses. Program income generated from the Monroe County Business Marketing Program Grant exceeded that which was required by the grant agreement. Excess program income could be used to purchase goods or services which are not in accordance with the Attachment OMB Circular A-102 and result in the Appalachian Regional Commission recovering misspent program income.

We recommend MCOED seek the approval from the Appalachian Regional Commission prior to expending the excess program income generated from the Monroe County Business Marketing Program Grant to ensure expenditures are of an allowable type.

### Grant Monitoring

The County Commissioners and Department of Job and Family Services Director should carefully review grant financial and reporting information and make the appropriate inquiries to help determine the continued integrity of the financial and compliance information. This information also provides important data necessary to manage the County grants. This information can help answer questions such as the following:

- Are current program receipts sufficient to cover program expenditures?
- If unusual fluctuations in program receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated grant receipts being timely received?
- Are grant funds being administered with contractual requirements?
- Are grant contractual obligations in line with bid proposals?
- Are grant-related service providers being billed correctly and timely?

The Monroe County Business Marketing Program Grant's requests for reimbursements and quarterly reports were not reviewed and approved by anyone other than the Economic Developer who completed the reports. By not having the requests for reimbursements and quarterly reports reviewed and approved by someone other than the preparer, errors and/or irregularities could occur and not be detected in a timely manner.

The Applications for Marketing Assistance contained various mathematical errors and did not comply with the cost-sharing basis as indicated on the application. Even though the applications were reviewed and approved by an Economic Developer and the Monroe County Department of Job and Family Services Director, the errors were not detected in a timely manner which resulted in MCOED making overpayments for services rendered, MCOED making payments for services not rendered, local businesses being charged inconsistent rates for their share of the advertising costs and vendors being paid either the total project cost or only MCOED's share of the project cost.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend the Board of County Commissioners become more proactive in reviewing the activities of any County administered grants. Due to the number of different departments and related grants within the County, it is very important that the County Commissioners monitor grant financial and compliance activity closely.

### Collection Policies and Procedures

Formal policies and procedures should exist at MCOED to ensure collection of contract amounts due from the local businesses for advertising goods and/or services.

MCOED entered into marketing assistance contracts with local businesses for various marketing goods and/or services and has failed to collect the entire local business portion of the contracts. No formal policies or procedures exist for MCOED. As of the date of this report, 9 local businesses have not paid for their share of the marketing assistance contracts totaling \$1,725.

We recommend MCOED establish formal policies and procedures to ensure that marketing advertising contracts with local businesses are collected in full. We also recommend the County contact these vendors to request the outstanding amount due.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MONROE COUNTY OFFICE OF ECONOMIC DEVELOPMENT**

**MONROE 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  
OCTOBER 8, 2002**