



**OHIO DEPARTMENT OF AGRICULTURE  
OHIO GRAPE INDUSTRIES COMMITTEE**

**FRANKLIN COUNTY  
SPECIAL AUDIT**

**FOR THE PERIOD  
JULY 1, 1996 THROUGH MARCH 15, 2000**



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

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**STATE OF OHIO**



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**OHIO DEPARTMENT OF AGRICULTURE  
OHIO GRAPE INDUSTRIES COMMITTEE  
FRANKLIN COUNTY**

**AS OF MARCH 15, 2000**

**RELEVANT INDIVIDUALS**

**Fred Dailey**, serves as Director of the Department of Agriculture and Chairman of the Ohio Grape Industries Committee (hereafter referred to as the Committee).

**Ida Froehle**, served at the pleasure of the Committee as an Administrative Assistant 3 from May 10, 1994 to May 19, 1997. On May 19, 1997 she was promoted to an Administrative Assistant 4. Ms. Froehle voluntarily resigned at the March 8, 2000 Committee meeting.

**Donniella Winchell**, served as the Executive Director of Ohio Wine Producers Association, (OWPA) a not-for-profit corporation which provided marketing, advertising, and public relation services for the Committee during the Period.

**Committee Members**

Ken Schuchter

Lee Klingshirn

Marlene Boas

Rae Ann Estep

Charlie Krzic

Dan Cesner

Liana Lee

Wes Gerlosky

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## Report of Independent Accountants

Mr. Fred Dailey, Director  
Ohio Department of Agriculture  
8995 East Main Street  
Reynoldsburg, OH 43068

Pursuant to your request, 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 for the period July 1, 1996 through March 15, 2000 ("the Period"). These procedures were performed solely to determine whether amounts paid to vendors were authorized, goods and services were received, payments were accurate, and the policies and procedures related to the Committee's purchases were followed. We also reviewed expenditure supporting documentation and determined whether the purchases were for a purpose related to the operations of the Committee, and also compiled a list of fixed assets purchased during the Period. This engagement to apply agreed-upon 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 are summarized as follows:

1. We gained an understanding of the Committee's policies and procedures for purchasing goods and services during the Period.

Significant Results: The Committee did not have formal written policies and procedures for purchasing goods and services. As a result, it was unclear who was responsible for initiating, authorizing, and approving Committee expenditures. We recommended that the Committee establish written formal policies and procedures for purchasing goods and services which specifically identify the individual responsible for initiating, authorizing, and approving Committee expenditures.

There was little monitoring of expenditures by Committee members. During the 44 month period, the Committee held only 8 formal meetings at which they approved monthly financial reports. As a result, in Issue No. 2 we noted instances of personal purchases by the former Administrative Assistant and payments to one vendor for services which were not performed.

2. We reviewed supporting documentation for Committee nonpayroll expenditures for the Period to determine whether purchases were for a purpose related to the operations of the Committee.

Significant Results: During the Period the Committee had 3 personal service contracts with Ohio Wine Producers Association. The Committee made 27 expenditures to Ohio Wine Producers Association totaling \$380,993. These personal service contracts did not contain provisions detailing specific documentation required to support invoices for services. As a result, we noted numerous instances where documentation to support expenditures was nonexistent or did not fully support the services provided. The Committee paid \$80,134 to Grapevine Associates for advertising and public relation services for which there was no contract. We recommended that OGIC enter into personal service contracts for services exceeding an established amount and include provisions in the contracts which specifically detail the required documentation to support invoices for services rendered.

Based on review of Committee expenditures, we considered issuing Findings for Recovery against the former Administrative Assistant totaling \$2,476 for personal purchases and cell phone use. As of March 8, 2002, this amount has been repaid by the former Administrative Assistant. We issued Findings for Recovery against the Ohio Wine Producers Association for \$4,510 for an overpayment and for payment of services not performed, and Grapevine Associates for \$7,367 for postage related to a contract between Ohio Wine Producers Association and OGIC which was improperly billed through Grapevine Associates.

There were 39 expenditures totaling \$2,813 for holiday cards, amounts in excess of ODA's travel policies, batteries, film, children's scissors, chalk, dishwasher detergent, crayons, paper towels, toilet paper, and light bulbs. Although documentation for those expenditures were provided, due to their nature, we could not determine whether any of these items were purchased for Ms. Froehle's personal use or for purposes related to the operations of the Committee. We recommended that the Committee take an active oversight role in reviewing and approving Committee expenditures.

We issued 5 noncompliance citations related to records retention, contract provisions, and a Ohio Department of Administrative Service's policy and made 6 additional recommendations regarding Committee nonpayroll expenditures.

3. We compiled a schedule of fixed assets purchased during the Period and attempted to physically observe them to determine if in the possession of the Committee.

Significant Results: The Committee did not maintain a listing of fixed assets. The Committee has not established formal written policies and procedures for purchasing, identifying, and disposing its fixed assets. Of the 75 fixed asset items purchased during the Period, we were unable to locate 59 of them totaling \$6,462. A listing is included in Appendix A, and represents items which could be personal in nature. Upon her resignation, Ms. Froehle returned 267 bottles of wine and other items such as a computer system with speakers, a DVD player, an unopened VCR, two Sony Walkmen, a vacuum cleaner, and a cellular phone. We issued a recommendation related to establishing formal written policies and procedures for purchasing or disposing Committee fixed assets.

4. On March 8, 2002, we held an exit conference with the following Officials representing the Department of Agriculture:

Fred Dailey, Director of Ohio Department of Agriculture  
Jim Buchy, Assistant Director of Ohio Department of Agriculture  
Michelle Widner, Ohio Grape Industries Committee Administrative Assistant

The attendees were given an opportunity to respond to this Special Audit. A written response was received March 15, 2002, and was evaluated and changes were made to this report where we deemed appropriate.



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 auditing standards generally accepted in the United States of America, 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 Committee's or Ohio Department of Agriculture's internal control system over financial reporting or any part thereof. Ohio Department of Agriculture is a department of the State of Ohio and is included as part of the State of Ohio financial audit. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with auditing standards generally accepted in the United States of America 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 State of Ohio 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

October 31, 2001

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# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## BACKGROUND INFORMATION

The Ohio Grape Industries Committee (“the Committee”) is a marketing program defined in Ohio Rev. Code Section 924.01 (D) and is established by the order of the Director of Ohio Department of Agriculture to improve or expand the market for an agricultural commodity. The Committee was created and is governed by the state statute outlined in Ohio Rev. Code Sections 924.51 through 924.55.

At the request of Fred Dailey, the Director of Ohio Department of Agriculture, a request for assistance from the Ohio State Highway Patrol was made on December 21, 1999 to conduct an administrative internal investigation into concerns that Ms. Ida Froehle, an Administrative Assistant appointed by the Committee, was falsifying her time sheets and receiving compensation for time she did not work.

On January 19, 2000, the Governor’s Office declined Director Dailey’s request to allow the Ohio State Highway Patrol to investigate this matter; however, recommended the Ohio Department of Agriculture (“the ODA”) Enforcement Division conduct its own administrative internal investigation. The ODA Enforcement Division investigated these concerns. A report was prepared and discussed with the Director and the Committee’s Members. As a result of ODA’s internal investigation, Ms. Froehle resigned at a special meeting held with the Director of ODA and Committee Members on March 8, 2000.

Ms. Froehle’s attorney, accompanied by the Ohio Department of Agriculture Enforcement Division cleaned out personal items from Ms. Froehle’s office located at 1515 W. Lane Avenue. Two days later Ms. Froehle’s attorney called to inform Mr. Dailey that Ms. Froehle had additional property at her home which was purchased with Committee funds. Ms. Froehle’s attorney turned over property including a computer system with speakers, a DVD player, an unopened VCR, two Sony Walkmen, a vacuum cleaner, and a cell phone. It was ODA’s concern that Ms. Froehle purchased items for personal use through ODA’s Fiscal Department and the state’s Central Accounting System using Committee funds. On March 13, 2000, Mr. Dailey wrote a letter to the Auditor of State requesting a special audit of the Ohio Grape Industries Committee.

On March 14, 2000, the Auditor of State’s Special Audit Committee reviewed the request and voted to initiate a special audit of the Ohio Grape Industries Committee.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 1 - Policies and procedures for purchases of goods and services

We gained an understanding of the Committee's policies and procedures for purchasing goods and services during the Period.

### Procedure

We requested from the Committee members and ODA's Fiscal Department copies of formal written policies and procedures related to the purchase of goods and services. We also interviewed relevant individuals.

### Result

We interviewed the following individuals: Liana Lee, Chief of Markets, John Luther, ODA's Fiscal Officer, Bruce Benedict, former interim Committee Administrative Assistant, and Fred Dailey, Director of Ohio Department of Agriculture, to determine whether the Committee had any formal written policies and procedures for requisitioning and purchasing goods and services from vendors. All of these people asserted that there were no formal written policies and procedures governing the expenditures of the Committee. They asserted that expenditures that were not formally approved by the Committee were authorized and approved by Ms. Ida Froehle, the former Committee Administrative Assistant. We will recommend that the Committee establish formal written policies and procedures for requisitioning and purchasing goods and services from vendors.

All Committee expenditures were processed for payment through the State of Ohio's Central Accounting System (CAS) by Ohio Department of Agriculture's Fiscal Department. We interviewed Jackie Lyle, ODA's Accounts Payable Clerk in the ODA Fiscal Department, who processed the Committee's expenditures. Based on our interview with Ms. Lyle, purchases were processed differently based on the amount of the purchase and the type of purchase. ODA's process for purchasing and paying vendors through the State's Central Accounting System was as follows:

### Purchases of Goods and Services

The former Committee's Administrative Assistant, Ida Froehle, contacted vendors, requisitioned and purchased goods and services for the Committee. Purchases made by Ms. Froehle were shipped and delivered to the Ohio Grape Industries Committee office located at 1515 W. Lane Avenue. When Ms. Froehle received goods that were purchased, a coding slip<sup>1</sup> was attached to the invoice by Ms. Froehle and forwarded to Jackie Lyle, the ODA Accounts Payable Clerk. The coding slip was signed by Ms. Froehle and directed Ms. Lyle as to which fund the Committee's expenditure was to be charged. If the invoice did not have a coding slip attached, a piece of paper or note was attached with the required fund information. Ms. Lyle verified the correct fund was to be charged and entered the invoice into the Central Accounting System. A voucher was generated and the invoice was paid by a warrant from the Auditor of State's Office. Warrants were issued by the Auditor of State's Office 1-2 weeks after the invoice/purchase order was entered into CAS. The warrants were sent to Ms. Lyle who mailed the warrants to the vendors.

A purchase order was not used for purchases less than \$500. However, for purchases in excess of \$500 a purchase order was required to be approved by Veronica Clark, then ODA's Business Administrator. Based on discussions with Ms. Clark, she asserted that although she was required to sign the purchase orders generated by Ms. Froehle, she did not review or approve the Committee's purchases. Other persons who had authority to approve purchase orders were Frank Forgione and John Luther, former and current ODA Fiscal Officers, respectively.

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<sup>1</sup> Coding slips were standardized forms used by Ms. Froehle; whereby, she initialed the invoice and signed off on the slip as the "Chief Signoff". For the last two years of the Period, the coding slip used was changed and did not have a "Chief Signoff". As a result, Ms. Froehle no longer initialed the form.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We interviewed Ms. Froehle who asserted the Committee approved all expenditures and that she was not responsible for approving any of the Committee's expenditures. We will recommend that the Committee establish formal written policies and procedures for the purchases of goods and services and that these policies and procedures include prescribed duties and responsibilities for individuals reviewing and approving expenditures.

### Office of State Printing

Brochures and pamphlets for distribution as part of the Committee's program to market grapes and grape products were printed by the Office of State Printing. The Office of State Printing required a Printing Project Form 515 to be completed when a print job was requisitioned. Print job specifications and the appropriate fund to be charged were required to be included on the form.

Ms. Froehle completed this form for the Committee's print orders. The completed form was sent to ODA's Fiscal Department which forwarded it to the Office of State Printing. The Office of State Printing reviewed the print job specifications and determined whether the printing could be done in-house or whether it had to be sent to an outside vendor. After the printing was complete, the Office of State Printing charged the Committee's appropriate fund via intra-state transfer voucher (ISTV) and a copy of the ISTV was sent to ODA's Fiscal Department.

### Service Contracts

During the Period, the Committee had no formal written policies and procedures for entering into service contracts; however, ODA's fiscal guidelines were that a service contract was required when services purchased were in excess of \$50,000.

In accordance with Ohio Rev. Code Section 924.52, the Committee was required to expend no less than 30%, and no more than 70% of all money it received on research, marketing, and the distribution of grapes and grape products. In order to comply with the state statute, the Committee contracted with Ohio State University and the Ohio Wine Producers Association, a not-for-profit corporation, to provide research and marketing services, respectively.

Service contracts were approved by the Committee and were signed by the Director of Agriculture. After a contract was signed and approved, Ms. Froehle opened a blanket purchase order for the total amount of the contract and forwarded the purchase order to Ms. Clark, ODA's Business Administrator, for her approval. After the purchase order was signed by Ms. Clark, a copy of the contract and purchase order was sent to ODA's Accounts Payable Clerk to enter into the CAS.

### Approval of Committee Expenditures

The Committee subsequently approved expenditures by approving the Committee's monthly financial reports<sup>2</sup>. At the Committee meetings, the Committee voted to approve the monthly financial reports. A review of the Committee's meeting minutes noted that the Committee only met 5 times during fiscal year 1997 and only 3 times during fiscal years 1998 and 1999. We will recommend that the Committee meet more frequently in order to approve expenditures and monthly financial reports in a more timely manner.

For the 44 months of the Period, the Committee was able to provide only 16 monthly financial reports.

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<sup>2</sup> Monthly financial reports were prepared by Ms. Froehle and were included as an attachment to the OGIC meeting agendas.

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

A review of the Committee meeting minutes indicated that there were 3 meetings where the minutes did not specifically mention which monthly financial reports were approved. The Committee was required to approve 4 annual fiscal year operating budgets during the Period. We noted that 1 annual budget was not approved, and 1 annual budget was not approved until after the start of the fiscal year. We also noted 1 occurrence whereby the minutes from the prior meeting were not formally approved and 2 occurrences whereby subcommittee minutes from the prior meeting were not formally approved.

We will issue recommendations that monthly financial reports be distributed for every month, that the Committee state clearly in the minutes the monthly financial reports being approved, that the minutes from previous meetings be approved at the subsequent meeting, and that yearly budgets be approved at the first meeting of the fiscal year.

Ms. Lyle, ODA's Accounts Payable Clerk, provided monthly revenue and expenditure reports from the CAS for the Period. These reports could have been made available to the Committee for their review; however, were not requested by the Committee. The Committee receives revenues from taxes on wine sold in the state of Ohio.

We compared the available 16 monthly financial reports to the CAS reports which were prepared by Ms. Froehle and presented to the Committee and noted 4 instances where the payee name listed on the monthly financial report prepared by Ms. Froehle did not match the payee name on the monthly CAS report.

We will recommend that prior to approval, the Committee obtain the monthly CAS report and compare it to the monthly financial report for accuracy.

### **MANAGEMENT COMMENTS**

#### **Policies and Procedures**

Formal written policies and procedures are essential to provide guidance to employees responsible for ensuring efficient, accurate, and consistent treatment of Committee transactions. Without clear and precise guidance from the Committee, individuals' personal preferences and decisions may be filtered through the organization which are inconsistent with the Committee's objectives and expectations.

The Committee has not developed formal written policies and procedures governing the expenditures of Committee funds. Expenditures were processed through ODA's fiscal department without formal Board review or approval prior to expending Committee funds. Ms. Froehle processed all Committee expenditures and entered into contracts on behalf of the Committee without any formal authorization. We were unable to determine from Ms. Froehle's job description if Ms. Froehle was responsible and had explicit authority to approve Committee expenditures and enter into contracts.

We recommend the Committee design and establish formal written policies and procedures governing expenditures to ensure the integrity of financial reporting, the safeguarding of Committee assets, the efficiency and effectiveness of the Committee's operations, and its compliance with applicable laws, regulations, and contracts. The policies and procedures should state clearly who is responsible for approving expenditures, authorized to enter into contracts, and delineate prescribed duties and responsibilities for individuals reviewing and approving expenditures. The policies and procedures should be formally adopted by the Committee.

#### **Frequency of Meetings**

During the Period, the Committee held only 5 meetings in fiscal year 1997 and only 3 meetings in each of the fiscal years 1998 and 1999.

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

Because of the infrequency of the Committee's meetings, monthly financial reports and Committee expenditures were not reviewed and approved in a timely manner.

We recommend that the Committee meet quarterly, if not monthly, in order to authorize, review, and approve expenditures in a timely manner. Due to the Committee's small operating staff, the Committee members should take an active oversight role to reduce risk that expenditures are made for purposes not related to activities of the Committee.

### **Approval of Board Minutes**

A review of the Committee minutes noted 1 occurrence whereby minutes from the prior meeting were not formally approved and 2 occurrences whereby subcommittee minutes from the prior meeting were not formally approved.

Not approving meeting minutes can jeopardize the accuracy and integrity of the information recorded in the minutes.

We recommend that the Committee review and formally approve its minutes from prior meetings.

### **Approval of Annual Budgets**

Committee meeting minutes did not reflect that the Committee formally approved the fiscal year 1997 budget and the fiscal year 2000 budget was not formally approved until after the start of the fiscal year.

Not formally approving the annual fiscal year budget prior to or at the beginning of the new fiscal year results in management and Committee members not being aware of what funds they are responsible for managing and allowed to spend. This may result in spending monies in excess of budgeted amounts.

We recommend that the Committee formally approve fiscal year annual budgets at the beginning of the fiscal year and that approval be expressly included in the minutes of Committee meetings.

### **Monthly Financial Reports**

For the 44 months of the Period, we were provided only 16 monthly financial reports. Additionally, there were 3 meetings where the minutes did not specifically state which monthly financial reports were approved.

We recommend that monthly financial reports be prepared accurately, timely, and provided to the Committee members for their review prior to the meetings. We recommend that the Committee meeting minutes clearly indicate whether the monthly financial reports were approved. The reports should be attached to the minutes to identify the reports approved by the Committee.

### **Information in the Financial Reports**

A comparison of the monthly financial reports and the monthly CAS reports revealed 4 instances where names of the payees on the available monthly financial reports did not match the names of payees on the CAS reports.

Preparing and distributing monthly reports which contain errors or inaccuracies undermines the reliability of essential accounting and financial information. In particular, this limits managements ability to detect errors and irregularities, and does not allow management to make informative decisions. As a result, the Committee may have approved payments for goods and services to incorrect vendors or for purposes not related to operations of the Committee.

We recommend the Committee review the monthly financial reports and verify the accuracy of the report prior to presentation and approval at the Committee meeting.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 2- Review of nonpayroll expenditures

We reviewed supporting documentation for Committee nonpayroll expenditures for the Period to determine whether purchases were for a purpose related to the operations of the Committee.

### Procedures

1. We obtained the Committee's Central Accounting System (CAS) reports, purchase orders, and vouchers for the Period.
2. Using the information gathered in Procedure No. 1, we prepared a schedule of expenditures made by the Committee during the Period. We reviewed the expenditures to determine that:
  - Voucher amounts agreed with the expenditure ledger
  - Purchase orders (if necessary) agreed with the expenditure ledger
  - Expenditures were for a purpose related to the operations of the Committee
  - Purchase orders were properly approved, if necessary
  - Policies and procedures for purchasing goods and services were followed
  - Purchases were authorized
  - Goods and services were received
  - Expenditures were adequately supported by original documents such as invoices or receiving reports.

### Results

1. We obtained the following financial records from John Luther, the Fiscal Director of ODA:
  - Expenditure ledgers for the Committee (i.e., monthly Central Accounting System reports)
  - Purchase orders by fiscal year
  - Vouchers for expenditures made during the Period.
  - Intra-State Transfers made during the Period.

ODA was unable to locate 5 purchase orders totaling \$33,866, 8 vouchers totaling \$21,209, and 1 Intra-State Transfer that included a \$33 Committee expenditure. We will issue a noncompliance citation for not maintaining records in accordance with the Ohio Revised Code Section 149.351.
2. We reviewed 472 vouchers totaling \$1,473,200 and 25 intra-State Transfers totaling \$6,968 for the Period. We noted 8 vouchers totaling \$1,573 for the following types of purchases: the home delivery of the Columbus Dispatch, various personal magazine subscriptions<sup>3</sup>, and purchases made from a Michaels Store, Inc.<sup>4</sup> These purchases appear to be personal in nature. Subsequent to Ms. Froehle's resignation on March 8, 2000, the Committee cancelled part of the annual subscription to the Columbus Dispatch and received a \$73 refund. We will issue a Finding for Recovery against Ida Froehle in favor of the Committee totaling \$1,500 for magazine subscriptions that do not have a valid proper public purpose.

We noted no exceptions with the remaining vouchers.

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<sup>3</sup> Magazine subscriptions to Investors World, Sports illustrated for Kids, In Style, Money, and Parenting

<sup>4</sup> Michael's Store, Inc. is a craft store where craft supplies are purchased.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We reviewed 102 purchase orders for the Period and noted 68 purchase orders which were dated after the invoice date. We also noted 8 purchase orders greater than \$500 which were not signed by the ODA's Business Administrator. We will recommend that purchase orders be created and all purchase orders greater than \$500 be signed and approved before any expenditure is made. We noted no exceptions with the remaining purchase orders.

We reviewed 472 invoices for the Period and noted 170 invoices did not have Ms. Froehle's initials or the appropriate designee's signatures on them. When we spoke with Ms. Froehle concerning her responsibilities for approving Committee expenditures and the nature of some of these expenditures, she asserted that it was not her responsibility to approve the Committee's expenditures and that the Committee approved all expenditures. We will recommend that ODA not process payments to Committee vendors without the proper approval and signatures indicating that goods and services were received by the Committee. We noted no exceptions with the remaining purchase orders.

A review of Committee expenditures noted the following exceptions:

- 22 expenditures totaling \$6,462 for fixed assets purchased of which we were unable to locate. (See Issue No. 3 and Appendix A)
- 11 expenditures totaling \$124,113 to Ohio State University for which there was no supporting documentation.
- 2 expenditures to Corporate Express totaling \$65 which were not itemized and contained no description of the items purchased.

In addition, although documentation for the following expenditures was provided, due to their nature, we could not determine whether any of these items were purchased for Ms. Froehle's personal use or for purposes related to the operations of the Committee.

- 3 expenditures totaling \$944 to Kinkos for holiday cards and copies of invitations and announcements.
- 3 expenditures totaling \$200 in excess of amounts allowed under the Department of Agriculture's travel policies.
- 10 expenditures totaling \$346 for batteries.
- 6 expenditures totaling \$316 for 43 rolls of color film; however, we noted no expenditures during the Period for film development.
- 10 expenditures totaling \$726 for items such as children's scissors, chalk, dishwasher detergent, and crayons.
- 7 expenditures totaling \$281 for items such as paper towels, toilet paper, and light bulbs. We contacted the office building management and they asserted that the common areas which included restrooms were maintained by the building management and these types of supplies were provided. Ms. Froehle asserted the Committee approved these expenditures and building management did not properly maintain the common areas necessitating these purchases.

We will recommend that the Committee implement an internal control process to monitor the purchases of goods and services.

During a review of the Committee's expenditures for the Period, we noted payments for the following specific types of services and specific vendors which required further review.

### **Telephone Services**

We reviewed 45 expenditures totaling \$3,999 to MCI communications during the Period. Of this amount, there were long distance charges totaling \$2,955 and cellular charges totaling \$1,044. We also reviewed 10 expenditures totaling \$486 made to Ameritech for cellular service.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Ms. Froehle had cell phone service through MCI Cellular and Ameritech during the Period. We requested a copy of the cell phone contract from MCI and an itemized listing of the calls placed on the cellular phone during the Period. MCI was unable to provide a copy of the contract or an itemized listing of the phone calls made on the MCI Cellular plan since the information was no longer available on its system. We obtained a copy of the Ameritech contract Ms. Froehle entered into on behalf of the Committee and signed by Ms. Froehle on May 2, 1999. A letter dated May 10, 1999 from ODA Director Fred Dailey to Ms. Froehle which Mr. Dailey stated that monthly service fees for cell phones were not permitted to be reimbursed and that Ms. Froehle did not have the authorization to enter into contracts on behalf of the Committee. We will issue a Finding for Recovery against Ms. Froehle in favor of the Committee for charges made subsequent to Director Dailey's letter totaling \$404 that do not have a valid proper public purpose.

We noted that numerous cellular and long-distance telephone calls were made from Ms. Froehle's cellular and desk top phones. We performed a "reverse look-up" on the Internet to determine the name of the business and/or person from the phone numbers listed on the long-distance and cellular phone bills. Calls were made to relatives of Ms. Froehle, antique stores, and other non-business related places. We were not provided with telephone logs or records that indicated Ms. Froehle had reimbursed the Committee for any of these telephone calls.

There were 537 long distance telephone calls, placed from the desk-top phone located at Ms. Froehle's office at 1515 W. Lane Avenue for a total of \$607 which were not for a purpose related to the operations of the Committee. We considered a Finding for Recovery against Ms. Froehle in favor of the Committee totaling \$607 for an illegal expenditure. On May 29, 2001, Ms. Froehle issued a check to the Committee for \$572, repaying all but \$35. We will issue a noncompliance citation for not maintaining telephone logs as required in the Ohio Department of Administrative Services' state-wide telephone policy, and recommend that ODA establish a monitoring process to ensure that telephone logs are maintained.

### **Ohio Wine Producers Association**

During the Period, there were 3 personal service contracts between Ohio Wine Producers Association (OWPA), a not-for-profit corporation, and the Committee. For the period July 1, 1998 through October 14, 1998, OWPA performed personal services for the Committee without a contract.

The Committee made 27 expenditures totaling \$380,993 to OWPA during the Period. We reviewed 26 of these expenditures totaling \$376,013. ODA was unable to provide a voucher package for the remaining expenditure totaling \$4,980. There were 25 expenditures totaling \$368,993 paid for services covered under the 3 personal service contracts, 1 expenditure for \$9,500 for payment of services provided during the period which there was no written contract, and 1 expenditure totaling \$2,500 for additional services approved by the Committee. Services to be provided in all 3 contracts included marketing advertising, public relations services, and speaker sponsorship programs.

### **OWPA Fiscal Year 1997 Contract**

The Committee entered into a personal service contract with OWPA for the period July 1, 1996 through June 30, 1997. The total amount of this contract was \$98,650. According to Exhibits A and B of the contract, OWPA was to maintain a toll free 800-number, publish and distribute the "Grapevine" newsletter, facilitate a tourism program, manage a wine consumer group, organize wine and cheese tastings, publish a monthly newsletter to growers and wineries, develop a motor coach travel program, work with other ODA commodity groups to promote the wine industry, and organize a major wine festival.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We reviewed 8 expenditures totaling \$93,670 paid to OWPA for services provided under the fiscal year 1997 contract. While attempting to match up the 10 OWPA invoices related to this contract to copies of OWPA's vendor invoices and/or other supporting documentation for expenses incurred, we noted the following:

- 9 invoices did not have OWPA vendor invoices or other documentation attached to support work or services provided totaling \$60,693.
- 8 invoices included copies of OWPA vendor invoices or other documentation which was only partially copied or could not be read; therefore, we could not determine from the supporting documentation whether services totaling \$16,893 had been performed.
- 7 invoices where copies of only OWPA's checks totaling \$5,991 were attached as support for services performed with no other supporting documentation attached.
- 1 OWPA invoice was supported by an OWPA vendor invoice from a previous fiscal year.
- A copy of a banner was attached to a May 1997 OWPA invoice for designing a banner. Later in May of 1997, OGIC paid Albert Screenprint, Inc. for the printing of those banners designed by OWPA. The banners were delivered to OWPA rather than OGIC.

According to Article III (5) of the contract, the adequacy and sufficiency of the invoices submitted by OWPA shall be determined by OGIC. The contract did not specify the required documentation to support the invoices submitted by OWPA.

We will make recommendations that the Committee include provisions in their contracts which specifically identify the type of required supporting documentation to support the work performed in accordance with the contract. The documentation should be reviewed prior to payment to ensure that the work has been substantially performed.

We also noted the following instances of noncompliance with provisions of the fiscal year 1997 contract with OWPA:

- 1 invoice where the services listed were charged to the incorrect project based on the descriptions included in the contract.
- 3 invoices where project numbers were not listed on its invoices.
- 5 invoices included general office and business expenses such as office supplies and telephone expenses totaling \$1,163 which are not permitted to be billed under the contract.

We will issue noncompliance citations with contract provisions for the above instances.

### **OWPA Fiscal Year 1998 Contract**

The Committee entered into a personal service contract with OWPA for the period July 1, 1997 through June 30, 1998. The total amount of the contract was \$89,500. Services which were to be provided by OWPA were substantially the same as the fiscal year 1997 contract except for an attachment to the fiscal year 1998 contract which was labeled Exhibit A. This attachment specified in greater detail as to the work to be performed.

We reviewed 9 expenditures totaling \$89,481 paid to OWPA for services provided under the fiscal year 1998 contract. While attempting to match up the 13 OWPA invoices related to this contract to copies of OWPA's vendor invoices and/or other supporting documentation for expenses incurred, we noted the following:

- 8 invoices did not have OWPA vendor invoices or other documentation attached to support work or services provided totaling \$31,980.
- 10 invoices included copies of OWPA vendor invoices or other documentation which was only partially copied or could not be read; therefore, we could not determine from the supporting documentation whether services totaling \$21,277 had been performed.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- 6 invoices where copies of only OWPA's checks totaling \$3,710 were attached as support for services performed with no other supporting documentation attached.
- 5 invoices where the same OWPA vendor invoices totaling \$5,605 were attached as supporting documentation; however, the same work was not paid for twice.
- 1 OWPA invoice for work performed was supported by an OWPA vendor invoice from a previous fiscal year.

Like the contract for 1997, the 1998 contract did not contain provisions specifying the required documentation to support invoices submitted by OWPA.

We noted the following instances of noncompliance with provisions of the fiscal year 1998 contract with OWPA:

- 2 invoices where the services listed were charged to the incorrect project based on the descriptions listed in the contract.
- 9 invoices included office and business expenses including expenses for supplies totaling \$8,024 which are not permitted to be billed under the contract.

We will make noncompliance citations and recommendations similar to those for the 1997 contract.

### **OWPA Fiscal Year 1999 Contract**

This contract was for the period October 15, 1998 through June 30, 1999. The total amount of the contract was \$169,000. This contract was initiated by the Ohio Department of Administrative Services through a "Request for Proposal" (RFP) that was approved by the Ohio Department of Administrative Services on October 15, 1998. The terms in the RFP consisted of 5 parts with 23 specific deliverables and within each deliverable there was a specific number of tasks which were required to be performed by OWPA. The specific deliverables in the RFP related to marketing, advertising, and public relation services and were incorporated into the executed contract approved by OGIC and OWPA. In addition, the contract included an option to renew for a two year term which the Committee exercised in July of 1999.

We reviewed the 6 expenditures and related 6 invoices totaling \$168,724 paid to OWPA for services provided under the fiscal year 1999 contract and noted one invoice where an OWPA vendor invoice attached as supporting documentation was dated outside the contract period.

Like the 1997 and 1998 contracts, the fiscal year 1999 contract did not specify the required documentation to support the invoices submitted by OWPA.

Deliverable No. 6, Task No.1 of the contract stated, "The offeror must provide a minimum of twelve wine and cheese tastings per month throughout the state of Ohio." From the information that OWPA submitted for payment, we could not accurately determine the number of wine and cheese tastings that it had performed. We requested, and obtained, from OWPA, supporting documentation for the number of wine and cheese tastings it had performed during fiscal year 1999. During the period, October 15, 1998 through June 30, 1999, OWPA had completed only 46 wine and cheese tastings. Based on the cost summary provided in the fiscal year 1999 contract, OWPA was to receive \$35 for each wine and cheese tasting program. OWPA was paid \$5,040 as if it had performed all the required wine and cheese tastings. Because OWPA was paid for services which were not performed, we issue a Finding for Recovery against OWPA for \$3,430 in favor of the Ohio Grape Industries Committee.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## OWPA Fiscal Year 2000 Contract

On March 10, 1999, the Committee extended OWPA's existing contract to include fiscal year 2000. Deliverables and terms were the same as the fiscal year 1999 contract and the amount of the contract was set at \$182,322.

During the Period, we reviewed 2 expenditures totaling \$14,638 paid to OWPA. Of this amount, \$12,138 was for services provided under the fiscal year 2000 contract and \$2,500 was for a speaker sponsorship program to be performed in addition to the contract which was approved by the Committee.

Deliverable No. 9, Task No. 1 of the RFP states, "The offeror is to oversee up to three weekend get away events at interested state parks." Based on the cost summary provided in the contract, OWPA was supposed to be paid \$1,080 per event. For two events OWPA conducted, they were paid \$3,240, resulting in an overpayment of \$1,080. We will issue a Finding for Recovery against OWPA for \$1,080 in favor of the Ohio Grape Industries Committee.

## Grapevine Associates

We reviewed 21 expenditures totaling \$80,134 paid to Grapevine Associates for advertising and public relations services. There was no formal written contract between Grapevine Associates and the Committee for these services. Also, there was no mention in the Committee's minutes that expenditures to this vendor had been formally approved. Grapevine Associates had its own separate tax identification number however, and was operated by Donniella Winchell, Executive Director of OWPA.

Grapevine Associates placed advertisements in magazines and conducted other promotional events to promote Ohio wines. Grapevine Associates submitted invoices for payment with copies of its advertising invoices attached. A six percent fee was added to the cost of the advertisement placements. The six percent charge was approved in the Committee minutes. However, we noted the organization listed in the Committee minutes was the Ohio Wine Producers Association. We will issue a recommendation that the Committee minutes reflect the vendor name that was listed on the voucher.

Our review of the Grapevine Associates' expenditures noted the following:

- 3 instances of undocumented expenditures totaling \$5,245 were submitted by Grapevine Associates.
- 1 instance where the six percent fee was calculated incorrectly. The Grapevine Associates' invoice had a six percent fee of \$528. The correct amount of the fee was \$496.

We will make recommendations that adequate documentation be required to support personal services provided and all vendor invoices submitted for payment be reviewed prior to payment by the Committee.

In May of 1997, Grapevine Associates submitted a \$3,000 invoice for payment. Under the heading "Description," the invoice listed "Postage-1997 Brochure/Advertising." Check No. 4568626 was mailed from the Department of Agriculture on June 17, 1997. On June 20, 1997, Check No. 1032 was written from Grapevine Associates to OWPA for \$3,000. According to Exhibit A of the fiscal year 1997 contract between OWPA and the OGIC, OWPA was responsible for handling consumer mail requests.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

This \$3,000 expenditure should have been billed as part of the OWPA contract. However, at the time of the \$3,000 payment to Grapevine Associates, OWPA had already requested and received the total amount of its contract. Because the expenditure should have been billed through the OWPA contract, we will issue a Finding for Recovery for \$3,000 against Grapevine Associates in favor of the Committee for an illegal expenditure.

In May of 1998, Grapevine Associates submitted an invoice that included a reimbursement for postage totaling \$4,386. During our meeting with Donniella Winchell on March 29, 2001, she stated the postage should have been billed through OWPA. OWPA had already requested and received \$89,481 of the \$89,500 contract fiscal year 1998 contract. Therefore, if the expenditures would have been properly billed through the contract only \$19 would have been reimbursed. Because the expenditure should have been billed through the OWPA contract, we will issue a Finding for Recovery for \$4,367 against Grapevine Associates in favor of the Committee.

Based on the nature of the services provided by Grapevine Associates and the amount paid, there should have been a separate formal written contract between Grapevine Associates and OGIC for these specific services. When we originally spoke to Donniella Winchell, she asserted there was a contract between Grapevine Associates and OGIC, but neither the Committee nor she was able to provide us with a copy of the contract. We will recommend that the Committee require formal written personal service contracts for these types of services.

### **Burrelles**

We reviewed 18 vouchers totaling \$6,279 paid to Burrelles for a wire clipping service<sup>5</sup>. Upon review of the contract between the Committee and Burrelles, we noted the following:

- The magazine clippings from this wire clipping service were sent directly to OWPA and were used by OWPA to meet its deliverables in the fiscal year 1999 contract. We will make a recommendation that OWPA be responsible for paying for the magazine articles if they are part of OWPA's requirements under the contract.
- Ms. Froehle did not have the authority to enter into contracts on behalf of OGIC. In Issue No. 1, we made a recommendation that OGIC identify who is responsible for approving expenditures and who has authority to enter into contracts on behalf of OGIC.

### **FINDINGS FOR RECOVERY REPAID UNDER THE AUDIT**

Ms. Ida Froehle made long distance telephone calls to her relatives, antique stores, and for other nonbusiness related purposes. We were not provided with any telephone logs or records that indicated Ms. Froehle reimbursed the Committee for the phone calls. There were 537 phone calls placed from the desk-top phone located at the Ms. Froehle's office located at 1515 W. Lane Avenue for a total of \$607 that were not for a purpose related to the operations of the Committee.

In accordance with the foregoing facts, pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery was considered against Ida Froehle, former Administrative Assistant of OGIC, for monies illegally expended in the amount of \$607, and in favor of the Ohio Grape Industries Committee. On May 29, 2001, Ida Froehle remitted a check totaling \$572, repaying all but \$35 of this finding.

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<sup>5</sup> The wire clipping service provided copies of newspaper and magazine articles about Ohio Wines that were published throughout the country in various periodicals.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Cellular Phone and Personal Purchases

Ms. Ida Froehle entered into a contract with Ameritech on May 2, 1999 for cellular phone service. However, Ms. Froehle stated in an interview on April 25, 2001 that she was not authorized to enter into contracts on behalf of OGIC. Shortly after she entered into the contract with Ameritech, Director Dailey issued a letter on May 10, 1999 to Ida Froehle stating that monthly service fees for cell phones were not permitted to be reimbursed. OGIC made 9 expenditures to Ameritech totaling \$404 for cellular phone services subsequent to Director Dailey's letter.

We noted 8 payments totaling \$1,573 for the following types of purchases: the home delivery of the Columbus Dispatch to Ms. Froehle's residence, various personal magazine subscriptions, and purchases made from Michaels Store, Inc. These purchases appear to be personal in nature. Subsequent to Ms. Froehle's resignation on March 8, 2000, the Committee cancelled part of the annual subscription to the Columbus Dispatch and received a \$73 refund. Expenditures totaling \$1,500 were not for a purpose related to the operations of the Committee.

In accordance with the foregoing facts pursuant to Ohio Revised Code Section 117.28, a Finding was considered against Ida Froehle, former Administrative Assistant of OGIC, for expenditures in the amount of \$1,904, and in favor of the Ohio Grape Industries Committee, that 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 (1915). On March 7, 2002, Ida Froehle remitted a check totaling \$1,904 repaying all of this finding.

## **FINDINGS FOR RECOVERY**

### Ohio Wine Producers Association

Deliverable No. 6 Task No. 1 of the fiscal year 1999 contract stated, "The offeror must provide a minimum of twelve wine and cheese tasting programs per month throughout the state of Ohio." Based on the documentation provided by OWPA, OWPA performed only 46 wine tasting programs. The Fiscal Year 1999 contract stated, OWPA was to receive \$35 for each wine tasting program. OWPA was paid \$5,040 for Deliverable No. 6, Task No. 1, but it should have only been paid \$1,610. As a result, OWPA was paid \$3,430 for services it did not perform.

In accordance with the foregoing facts pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby issued against the Ohio Wine Producers Association, for monies illegally expended in the amount of \$3,430 and in favor of the Ohio Grape Industries Committee.

Deliverable No. 9, Task No. 1 of the RFP states, "The offeror is to oversee up to three weekend get away events at interested state parks." Based on the cost summary provided in the contract, OWPA was supposed to be paid \$1,080 per event. For the two events OWPA conducted, they were paid \$3,240, resulting in an overpayment of \$1,080.

Based on the terms of the contract and pursuant to Ohio Revised Code Section 117.18, we hereby issue a Finding for Recovery against OWPA, for monies illegally expended in the amount of \$1,080 in favor of the Ohio Grape Industries Committee.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Grapevine Associates

In May of 1997, Grapevine Associates submitted a \$3,000 invoice for payment. Under the heading "Description," the invoice listed "Postage-1997 Brochure/Advertising." Check No. 4568626 was mailed from the Department of Agriculture on June 17, 1997. On June 20, 1997, Check No. 1032 was written from Grapevine Associates to OWPA for \$3,000. According to Exhibit A of the fiscal year 1997 contract between OWPA and the OGIC, OWPA was responsible for handling consumer mail requests. This \$3,000 expenditure should have been billed as part of the OWPA contract. However, at the time of the \$3,000 payment to Grapevine Associates, OWPA had already requested and received the total amount of its contract. The expenditure should have been billed through the OWPA contract..

In May of 1998, Grapevine Associates submitted an invoice that included a reimbursement for postage totaling \$4,386. During our meeting with Donniella Winchell on March 29, 2001, she stated the postage should have been billed through OWPA. OWPA had already requested and received \$89,481 of the \$89,500 contract fiscal year 1998 contract. Therefore, if the expenditures would have been properly billed through the contract only \$19 would have been reimbursed. The expenditure should have been billed through the OWPA contract.

In accordance with the foregoing facts pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby issued against the Grapevine Associates for monies illegally expended in the amount of \$7,367, and in favor of the Ohio Grape Industries Committee.

## **NONCOMPLIANCE CITATIONS**

### **Records Retention**

Ohio Revised Code Section 149.351 establishes guidelines against the destruction or damage of records. "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 Revised Code Section 149.38 to 149.42."

ODA was unable to locate 5 purchase orders totaling \$33,866, 8 vouchers totaling \$21,209, and 1 Intra-State Transfer that included a \$33 Committee expenditure during the Period.

Disposal of records should be performed in accordance with the above referenced Ohio Revised Code Sections. We recommend the Committee and ODA develop, approve, and adopt a records retention schedule. We also recommend that the Committee and ODA develop policies and procedures to ensure that records are properly destroyed in accordance with the records retention schedule.

### **OWPA Contract Provisions**

1. Article III (4) under the fiscal year 1997 and fiscal year 1998 contracts between OGIC and OWPA stated, "All invoices shall show the number of hours, by project, during the preceding thirty days and shall show the amount expended on each sub-item within the project budget."

For the fiscal year 1997 contract, we noted 1 invoice where services listed were charged to the incorrect project based on the descriptions listed in the contract. We also noted 3 invoices where project numbers were not listed on OWPA's invoices. For the fiscal year 1998 contract, we noted 2 invoices where the services listed were charged to the incorrect project based on the descriptions listed in the contract.

OWPA invoices should be reviewed prior to payment of services to ensure that the invoice includes the number of hours, by project, and amounts are charged to the correct project.



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Article III (1) of the fiscal year 1997 and fiscal year 1998 contracts between OGIC and OWPA stated, "In consideration of the promises and performance of OWPA as set forth herein, OGIC agrees to pay OWPA a total maximum amount of \$89,500 (\$98,650 for fiscal year 1997), payable in monthly installments, upon submission of invoices at the end of each month as compensation for work completed on the projects outline in Article I of this Agreement..."

A review of the OWPA invoices revealed that services were not always billed on a regularly or on a monthly basis.

OGIC should require that OWPA comply with the terms of the contract and bill for services on a regularly or on a monthly basis.

3. Article III (6) of the fiscal year 1997 and fiscal year 1998 contracts between OGIC and OWPA stated, "Unless expressly provided for elsewhere in this Agreement, OWPA shall be responsible for and assume all office and business expenses, including expenses for supplies, that are incurred as a result of the performance of this Agreement."

For the fiscal year 1997 contract, we noted 5 invoices totaling \$1,163 and 9 invoices totaling \$8,024 for the fiscal year 1998 contract; whereby, office and business expenses were attached as documentation to OWPA invoices and billed to the contracts.

### Department of Administrative Services Policy

ODA's "Policy on Telephone Use and Telephone Credit Card Use" states, "Each employee shall itemize all long distance telephone calls on a long distance call log. Field employees (i.e. those employees not headquartered at the Department's offices) must keep and maintain their own telephone logs." Ms. Froehle did not have any records indicating whether calls made during the Period were related to the operations of the Committee or personal in nature.

We recommend that monthly phone logs be maintained, and every month Committee employees should be required to turn in their phone logs. ODA should review the monthly print outs of long distance telephone calls made, and all personal calls should be reimbursed to the Committee. ODA should also establish a monitoring system to ensure that all personal calls are reimbursed.

### MANAGEMENT COMMENTS

#### Purchase Orders

A purchase order was not used for purchases less than \$500. However, for purchases in excess of \$500 a purchase order was required to be approved by ODA's Business Administrator.

We noted 8 instances where purchase orders greater than \$500 were not signed by Veronica Clark, ODA's Business Administrator. We also noted 68 purchase orders which were dated after the invoice date.

We recommend that purchase orders be created for all purchases greater than \$500 and be signed and approved before any expenditure is made.

#### Approval of Invoices

We reviewed 472 invoices for the Period and noted 170 invoices did not have Ms. Froehle's initials or an OGIC or ODA employee signature on the vendor invoice to indicate that goods and services were actually received.

Not having proper signatures to indicate that goods and services have been received may allow vendors to be paid for goods and services which the Committee has not received.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend that invoices not be processed for payment without the appropriate signatures to indicate that goods and services have been received.

### Approval of Travel Expenses

We noted 3 vouchers included expenditures totaling \$201 that exceeded the amounts allowed under the Department of Agriculture's travel policies. These vouchers contained no documented evidence of review.

We recommend that all invoices submitted for reimbursement of travel expenses be reviewed by a person independent of the person making the request to ensure compliance with ODA's travel policies.

### Supporting Documentation for Personal Services Contracts

Article III (5) of the 1997 and 1998 fiscal year contracts stated that the adequacy of the invoices was to be determined by OGIC. If OGIC determined that an invoice was inadequate or insufficient, or determined that further documentation or clarification was required for a particular invoice, OWPA was to provide the required information or documentation. Although both of these contracts were determined to be substantially performed, there was no requirement within the contracts which specifically identified the required supporting documentation to support the invoices and work performed.

We noted the following regarding payments by OGIC:

- 17 OWPA invoices did not have OWPA vendor invoices or other documentation attached to support work or services provided totaling \$92,673.
- 18 OWPA invoices included copies of OWPA vendor invoices or other documentation attached which was partially copied or could not be read; therefore, we could not determine from the supporting documentation attached whether services totaling \$38,170 had been performed.
- 13 OWPA invoices where copies of only OWPA's checks totaling \$9,701 were attached as support for services performed, and there was no other supporting documentation attached.
- 2 OWPA invoices for work performed was supported by an OWPA vendor invoice from a previous fiscal year.
- 5 invoices where the same OWPA vendor invoices totaling \$5,605 were attached as supporting documentation.
- 1 invoice where the services totaling \$705 were charged twice on the same invoice.
- 11 expenditures to Ohio State University totaling \$124,113 for research expenses for which there was no supporting documentation.

We recommend that the Committee include provisions within personal service contracts which specifically identify required documentation to support expenditures and work performed related to personal services contracts.

### Monitoring Process for Goods and Services

The Committee and Director of Agriculture are responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of the Committee's financial reporting, that Committee assets are properly safeguarded, and efficient and effective operations.

During a review of Committee expenditures, we noted 39 expenditures totaling \$2,813 that due to their nature, we could not determine whether these items purchased were for Ms. Froehle's personal use or for a purpose related to the operations of the Committee.

Due to OGIC's small operating staff, proper segregation of duties is difficult to achieve. As a result, the monitoring of expenses falls on Committee members.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend that the Committee implement an internal control process which provides active oversight implementing a review, approval, and monitoring process over all Committee purchases.

### **Personal Service Contracts**

We noted an expenditure totaling \$9,500 paid to OWPA during a period where there was no formal written contract. In addition, we noted 21 expenditures totaling \$80,134 paid to Grapevine Associates for advertising without a formal written contract.

We recommend the Committee require personal service contracts exceeding a preestablished amount and implement administrative guidelines requiring personal service contracts to outline and specify the nature of the services to be rendered and a fee for those services. In addition, OGIC should require Committee approval in a formal meeting noting the Committee's approval in the Committee minutes.

### **Clarification in Personal Service Contracts**

The fiscal year 1997 and 1998 OWPA contracts and the RFP contract do not clearly state who is responsible for the printing costs that are associated with the contracts. The fiscal years 1997, 1998, and 1999 contracts also did not state what documentation OWPA was required to submit in order to obtain payment.

We recommend that personal service contracts that OGIC enters into specify who is responsible for costs associated with the contract. We also recommend that all contracts specify what supporting documentation is required to be submitted in order to obtain payment for services performed.

### **Committee Approval of Contracts**

We noted that OGIC did not approve the Request for Proposal before the contract was signed. We also noted that OGIC did not approve the Burrelles contract before the contract was signed.

We recommend that the Committee review and approve all contracts before they are signed.

### **Burrelles**

Ms. Froehle entered into a contract on behalf of OGIC for a wire clipping service with Burrelles. We noted that the wire clippings as part of the services were sent directly to OWPA. OWPA used the wire clipping service in order to meet its deliverables in the fiscal year 1999 contract.

Ms. Froehle was not authorized to enter into contracts on behalf of the Committee.

We recommend that OGIC not enter into contracts on behalf of OWPA. If OGIC wishes to cover the cost of the clipping services, OWPA should invoice OGIC for the cost of the services.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Issue No. 3 - Fixed Assets

We compiled a schedule of fixed assets purchased during the Period and attempted to physically observe them to determine if they were in the possession of the Committee.

### Procedures

1. We scheduled the fixed assets which were purchased during the Period.
2. We determined whether fixed assets were disposed of in accordance with state laws and regulations.
3. We traced the fixed assets listed on the schedule to the physical location of assets or to items returned by Ms. Froehle upon her resignation.
4. We compared the wine that was turned over by Ms. Froehle upon her resignation to the wine that was purchased during the Period by the Committee to determine if the wine Ms. Froehle returned was the property of the Committee.

### Results

1. Based on the invoices and supporting documentation available, we compiled a schedule of fixed assets purchased during the Period with Committee funds. The schedule consisted of 75 items valued at \$15,056. Items purchased included but were not limited to, answering machines, Sony Walkmen, a vacuum cleaner, a camera, a microwave, a VCR, a television, paintings, catering supplies, garden tools, stereo equipment, and a cordless phone.

We requested a fixed asset inventory listing from the Committee and ODA; however, the Committee and ODA stated they did not maintain a fixed asset inventory listing for OGIC. We will make a recommendation that the Committee maintain a fixed asset inventory listing.

2. We interviewed Ms. Froehle and inquired whether the Committee discarded any fixed assets during the period. She stated that she was not aware that the Committee had disposed any of its fixed assets. We also spoke to Director Dailey who stated he was not aware of the specific types of fixed asset purchases or disposals which the Committee made.
3. Of 75 items totaling \$15,056, we were unable to physically locate 59 items totaling \$6,462 (See Appendix A).
4. Upon Ms. Froehle's resignation she turned over 267 bottles of wine. We were able to trace 83 bottles of wine back to purchases made by the Committee. We were unable to determine who purchased the remaining 184 bottles of wine.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## MANAGEMENT COMMENTS

The Committee did not maintain a complete listing of all fixed assets. Additionally, the Committee has not established formal written policies and procedures for purchasing or disposing its fixed assets.

The lack of a complete fixed asset listing and the absence of internal controls over the addition and deletion of fixed assets could result in a loss from errors and/or misappropriation of the Committee's assets without management's detection.

We recommend the Committee implement the following procedures:

- Designate an individual(s) to be responsible for the preparation and recording of the Committee's fixed assets;
- The Committee create and periodically update a fixed asset policy;
- A physical inventory of all fixed assets be performed and updated annually;
- Based on the physical inventory, a fixed asset listing be assembled to include but not be limited to the following: location, tag number, description, date of acquisition, cost (or estimated historical cost), source of funding, depreciation, and accumulated depreciation;
- Implement procedures to record fixed assets additions as they are acquired, preferably through the use of fixed asset addition forms. When a fixed asset addition form is completed, the information would then be recorded on ODA's fixed asset listing;
- Implement procedures to ensure deleted assets are removed from the fixed asset listing, preferably through the use of fixed asset disposal forms. The forms should be completed each time a fixed asset is sold or disposed. When the form is completed, the fixed asset would subsequently be removed from the fixed asset listing;
- At or near the end of each fiscal year, a summary of fixed assets purchased and disposed would be prepared. The amounts recorded on the fixed asset listing should be reconciled to the physical inventory results (prior period fixed assets, plus current year additions, less current year deletions); and
- Progress reports should be made on a monthly basis (or more frequently, if necessary) to the Committee regarding the preparation and completion of the Committee's fixed asset listing.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Appendix A

The following items listed below were identified and valued based on vendor invoices attached to the Committee's vouchers.

<u>Item</u>	<u>Quantity</u>	<u>Value of Assets we could not locate</u>
Recorder, Micro	1	\$38
W/TV Wthr Radio, Port. AM	1	23
Tripod F/Video Camera	1	122
Antenna, Amplified F/Tlrf	1	85
Phone, Cordless, W/Dig Ans.	1	169
Detector, Ske, PRO10YRBATR	1	34
Case, Executive, Blac	1	127
42 X 60 Reverse Chalk Brd-Blk both sides	1	277
Stereo, Personal, Walkman	1	39
2 sets of Shelving, 35.88" H, 55SHL, BG	2	197
2 sets of Shelving, 35.88" H, 55SHL, BG	2	197
Answering Mach, Phone, 2LN	1	276
Cord, Extend, HD, 9', GY	1	6
2 Heavy Duty Flashlights w/batteries	2	24
Answering Mach, Phone, 2LN	1	276
Panasonic Television	1	485
2 Dispensers, Virtual Air, We	2	96
Orgnz, Vyl, Zp, Ltr, Bk	1	100
Sharpener, Pcl, Vac Mnt, Bk	1	28
Cash Box, Cantilvr Tray, P	1	29
Answering Mach, Phone, 2LN	1	276
Security Chest, Ins, 6" H, B	1	55
Microwave, 100 W, 1. OCU Ft	1	238
Briefcase, Conv, Duffel, Bk	1	34
Vacuum, Upright, Supreme	1	169
Lamp, Swgarm, BS	1	84
Radio, Walkmans, Cass, GY	1	92
"Cognac" Reproduction	1	465
"Cremant" Reproduction	1	465
2 Vintage Wine Coasters	2	36
6-Sommelier-Chardonnay 400/0(glasses)	6	288
Overture Red Set of 4 5408/0	1	38
"Vini Di Lusso" Reproduction Framed	1	465
"Fiorino" Reproduction Framed	1	465
Vinum-Martini Glass	1	75
SOYO SY5EHM P5 W/AGP AT-FORM (this is a motherboard for a computer)	1	0
Chafer, Majestic Full	1	90
Chafer, Elite Round 5Q%	1	85
Pan, Fry 10"SS	1	36
Tong, S/S Hvy Duty 12"	1	4
Tong, S/S Hvy Duty 16"	1	5
Ladle, S/S Kool 6oz	1	13
Spoon, S/S&Plast 13" Solid	1	4
Turner, Griddle 4 5/8 X 3	1	5
Shear Pruner Felco Original	1	30
Heavy Duty Street Broom 24"	1	38
Aerator Air & Water	1	28
Cutter Deluxe Weed Serrate Blade	1	17
Pole Pruner Combo Corona Fiberglass	1	193
Rake Snow Roof	<u>1</u>	<u>41</u>
<b>TOTALS</b>	<b><u>59</u></b>	<b><u>\$6,462</u></b>



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**OHIO GRAPE INDUSTRIES COMMITTEE**

**FRANKLIN 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  
MARCH 26, 2002**