

## Appendix H

### AGRICULTURAL SOCIETY COMPLIANCE SUPPLEMENT

You should use this appendix for all audits of Agricultural Societies in addition to the general laws and regulations noted as applicable to Agricultural Societies in the Legal Matrix within Appendix F.

Agricultural societies incorporate as either county (per RC 1711.01) or independent (per RC 1711.02). Certain laws herein apply to one or both types. Each step describes to which type of society it applies.

The applicable Ohio Compliance Supplement chapter is noted for each step. Those noted as OCS Chapters 1 through 6 are laws and regulations that AOS normally considers “direct and material” (i.e., where significant violations require reporting in the compliance and internal controls report *Government Auditing Standards* requires). The sub steps in OCS Chapter 7 items are matters the Auditor of State considers important for fulfilling a society’s stewardship responsibilities, analogous to Chapter 7 in the Ohio Compliance Supplement. However, noncompliance with those requirements may not require reporting as material noncompliance. Auditors should evaluate the materiality of all noncompliance findings to determine the proper reporting. See the Introduction to the Ohio Compliance Supplement for more on testing and reporting requirements.

## Agricultural Society Compliance Supplement

### Applicability: County and independent societies

#### OCS Chapter 1

**Budgetary Compliance Requirement:** An Agricultural Society is not required to follow the budgetary statutes within ORC Chapter 5705. However, the *Uniform Agricultural Society Accounting System User Manual* states:

Each agricultural society shall prepare an annual budget of its revenues and expenses. The budget shall cover the period December 1st through November 30th.

The budget shall be considered and approved by the board of directors prior to the first day of the ensuing fiscal year. The budget shall be prepared at the level of the accounts from the chart of accounts which are used by the society.

Budgeted revenues and expenses should be distributed to the month they are likely to be received and expended. The distributed monthly budget should be integrated into the society's accounting system.

Actual revenues and expenses shall be compared to budgeted amounts each month, and reported to and reviewed by the board of directors. The board of directors shall determine the reasons why actual expenses exceed or are less than budgeted expenditures by making inquiries to fair management about the reasons.

The budget is not legally binding unless the Board adopts a resolution making the budget legally binding.<sup>1</sup>

*[Insert applicable budgetary requirements.]*

\* An appropriation is authorization to expend money.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Periodic Reviews/Comparisons of Budgeted and Actual Amounts</li> <li>• Presence of Effective Accounting System</li> </ul>		

<sup>1</sup> We believe Agricultural Society Boards should not present budgetary statements as part of their basic statements, because they lack the legal authority to adopt "legally binding" budget as described in GASB Codification 2400.102. Therefore, if a Society adopts a budget and wishes to present it, the statements should present it as supplemental information (not RSI). However, while not legally binding under the GASB criteria, over expending the budget could be noncompliance with a Society' budget resolution. Determining whether noncompliance exists requires judgment based on whether the Society intends their budget to limit expenditures vs. being only a planning tool, etc.

<ul style="list-style-type: none"><li>• Legislative and Management Monitoring</li><li>• Management's identification of changes in laws and regulations</li><li>• Management's communication of changes in laws and regulations to employees</li></ul>		
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**Suggested Audit Procedures – Compliance (Substantive) Tests:**

- a. Read resolutions and determine whether the society intends their budget to be legally binding. If so, include a copy or abstract of the resolution in the permanent file, and include step e below.
- b. Inquire (or determine from reading the minutes) if amended or supplemental measures have been passed.
- c. Inspect the government's records throughout the period to determine if updates and adjustments were properly and timely posted.
- d. Apply limited procedures to determine if the Board uses the budget to monitor activities. Evidence of monitoring would include:
  - Including a copy of budget vs. actual results in meeting agendas.
  - Evidence in the minutes of discussion of results.
  - Memos from board members to other employees investigating variances.
- e. If the budget is legally adopted:
  - Scan for negative variances at the legal level of control. Report these findings in the management letter or GAGAS report depending on their significance.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):**

**Note: Auditors should test the applicable prevailing wage requirements documented in Chapter 2 of the OCS. Refer to Appendix F for guidance on specific applicability.**

**Applicability: County societies**

**OCS Chapter 3**

**3a. Debt Compliance Requirement:** Ohio Revised Code Sections 1711.18 – Issuance of county bonds to pay debts of county society; 1711.19 – Bonds; 1711.20 – Levy for payment of bonds; and 1711.21 – Use of money raised by county taxation.

**Summary of Requirement:** In a county in which there is a county agricultural society indebted fifteen thousand dollars or more and such society has purchased a fairground or title to such fairground is vested in fee in the county, the board of county commissioners shall submit to the electors of the county whether or not county bonds shall be issued and sold to liquidate such indebtedness. If a majority of the voters vote in favor thereof, the board of county commissioners shall issue and sell bonds of the county in the amount necessary. Such bonds shall bear interest at not more than the rate RC 9.95 provides,<sup>2</sup> payable semiannually, and shall be issued for a period of not less than ten nor more than twenty years.

From the proceeds arising from the sale of such bonds, the board shall pay off the indebtedness for which such bonds were sold. The board of county commissioners shall levy a tax upon all the taxable property on the tax duplicate of the county for the purpose of paying such bonds as they mature and the interest thereon.

When money has been raised by taxation by a county for the purpose of leasing lands for county fairs, erecting buildings for county fair purposes, or making improvements on a county fairground, or for any purpose connected with the use of a county fairground or with the management thereof by a county agricultural society, such money shall be used for such purpose only.

Note: Bonds a county issues under this section are **county** liabilities, though the society may agree to repay the county for debt service due on the bonds. (If the society contractually agrees to pay the county for the debt service, the society's notes should disclose a debt obligation to the county. However, do **not** characterize the obligation as *bonds payable*.)

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Bond Counsel/Lender Involvement</li> <li>• Legislative and Management Monitoring</li> <li>• Management's identification of changes in laws and regulations</li> </ul>		

<sup>2</sup> RC 9.95 states, "Interest shall not exceed the maximum or maximum average annual interest rate per annum determined in or pursuant to the proceedings for the securities by the county commissioners."

• Management's communication of changes in laws and regulations to employees		
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**Suggested Audit Procedures – Compliance (Substantive) Tests:**

- a. Inspect cash receipt records and minutes and determine if indebtedness exists.
- b. For bonds a county issues during the audit period, compare disbursements of the proceeds to the bond documents to determine if the proceeds were spent for purposes for which the bonds were issued.
- c. For bonds issued during the audit period, read bond contracts and summarize provisions applicable to the Society, and save in the permanent file. The summary should describe:
  - Purposes for which the debt was issued.
  - Collateral
  - An amortization schedule for any debt service the society owes to the county.
- d. For years in which the society owes debt service to the county, agree payments to the amortization schedule.
- e. Determine if a debt footnote describes the purpose, original issue amount, collateral, and an amortization schedule for this debt.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):**

**Applicability: County society****OCS Chapter 3**

**3b. Debt Compliance Requirement:** Ohio Revised Code Sections 1711.25 to 1711.30 – Sale, lease, purchase, and exchange of sites by county society; payment for new site by county funds or bonds; tax levy; and approval by electors.

**Summary of Requirement:** A county agricultural society may secure a different site for its annual fair. If this occurs, auditors should review the Ohio Revised Code sections listed above and develop appropriate audit procedures.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Bond Counsel/Lender Involvement</li> <li>• Legislative and Management Monitoring</li> <li>• Management's identification of changes in laws and regulations</li> <li>• Management's communication of changes in laws and regulations to employees</li> </ul>		

**Suggested Audit Procedures – Compliance (Substantive) Tests:**

- a. By reading the minutes, determine if the Society procured a different site for its fair, or acquired or disposed of land where the annual fair is held. If so, review the code sections above for specific requirements.
- b. In the year these transactions occur, read contracts and summarize requirements imposing debt or lease payments, collateral, insurance or other obligations on the society. Save the summary in the permanent file.
- c. Determine if the footnotes adequately describe any leases or other society obligations, amortization schedules, etc.
- d. For subsequent years, agree any debt or lease payments owed to the contract summary in the permanent file.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

### Applicability: County societies

#### OCS Chapter 3

**3c. Debt Compliance Requirement:** Ohio Revised Code Sections 1711.13 – County agricultural society may obtain mortgage debt or may enter into written agreements to obtain loans and credit for expenses.

**Summary of Requirement:** County agricultural societies may do either or both of the following:

(A) Mortgage their grounds for the purpose of renewing or extending pre-existing debts, and for the purpose of furnishing money to purchase additional land, but if the board of county commissioners has caused money to be paid out of the county treasury to aid in the purchase of the grounds, no mortgage shall be given without the consent of the board. Deeds, conveyances, and agreements in writing, made to and by such societies, for the purchase of real estate as sites for their fairs, shall vest a title in fee simple to the real estate described in those documents, without words of inheritance.

(B) Enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the board of directors of the society. The total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Bond Counsel/Lender Involvement</li> <li>• Legislative and Management Monitoring</li> <li>• Management's identification of changes in laws and regulations</li> <li>• Management's communication of changes in laws and regulations to employees</li> </ul>		

#### **Suggested Audit Procedures – Compliance (Substantive) Tests:**

- a. By reading the permanent file, minutes, cash receipt records, other documents, and by inquiry, determine if any such indebtedness exists.
- b. If there is mortgage debt, use the sources described in a. above to determine if the board of county commissioners paid county funds to aid in purchasing the grounds. Read a copy of the county commissioners' resolution to determine if they gave the proper consent for this mortgage debt. Retain a copy of the resolution in the permanent file.

c. Loans and Credit<sup>3</sup>

- If the Society has procured loans and credit for expenses related to the purposes of the county agricultural society, verify these agreements are in writing and were first approved by the board of directors of the society.
- Examine the society's computation supporting that the total net indebtedness from loans and credit does not exceed twenty-five percent of its annual revenues.
- For debt issued during the audit period, compare disbursements of the proceeds to the bond documents to determine if the proceeds were spent for purposes for which the bonds were issued.
- For debt issued during the audit period, read related contracts and summarize provisions applicable to the society, and save in the permanent file. The summary should describe:
  - a. Purposes for which the debt was issued.
  - b. Collateral / mortgage
  - c. An amortization schedule for any debt service the society owes to the county.
- For years in which the society owes debt service, agree payments to the amortization schedule.
- Determine if a debt footnote describes the purpose, original issue amount, collateral, and an amortization schedule for this debt.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

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<sup>3</sup> The law authorizing this type of debt did not exist prior to the addition of (B) to Ohio Revised Code Section 1711.13, effective September 26, 2003. Therefore, if any of this type of debt was acquired prior to September 26, 2003, the Agricultural Society shall discharge such debt.

### Applicability: County and independent societies

#### **OCS Chapter 4**

**Accounting Compliance Requirement:** Ohio Administrative Code section 117-10-01 – Financial reporting and accounting for county agricultural societies.

**Summary of Requirement:** Each county agricultural society and independent agricultural society shall, for financial reporting and accounting purposes, record and report all financial transactions on a fiscal year basis beginning on December 1 and ending November 30. Societies shall record and report all financial transactions in accordance with the *Uniform System of Accounting for Agricultural Societies*<sup>4</sup>. Note: You can view the latest version of this at [www.auditor.state.oh.us](http://www.auditor.state.oh.us), under *Publications*.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Presence of Effective Accounting System</li> <li>• Legislative and Management Monitoring</li> <li>• Management's identification of changes in laws and regulations</li> <li>• Management's communication of changes in laws and regulations to employees</li> </ul>		

#### **Suggested Audit Procedures – Compliance (Substantive) Tests:**

- a. Compare the *Uniform System of Accounting for Agricultural Societies* requirements with the systems and records the society is using.
- b. Determine if:
  - The required chart of accounts is used.
  - A cash journal, a receipts ledger, an expense ledger, and an investment ledger are used.
  - The prescribed formats for accounting and reporting information are used (including receipts, purchase orders, vouchers, checks, and bank reconciliations).

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<sup>4</sup> The Auditor of State also requires by rules, that certain public offices follow a prescribed uniform chart of accounts and/or establish a fund accounting system to demonstrate legal compliance, financial accountability and to provide management with information for decision making. These rules are in Chapter 117-2 of the Ohio Administrative Code. As a matter of accountability and internal control, each public office should account for financial activities using an accounting system which demonstrates legal compliance; follows a documented chart of accounts appropriate for its particular activities; and is supported by appropriate subsidiary ledgers/journals. When a public office fails to maintain such an accounting system, auditors should consider whether the failure constitutes a reportable internal control deficiency or weakness.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

**Note: Auditors should test the applicable deposit and investment requirements documented in Chapter 5 of the OCS. Refer to Appendix F for guidance on specific applicability.**

**Note: Auditors should test the applicable health care self insurance and liability insurance requirements documented in Chapter 6 of the OCS. Refer to Appendix F for guidance on specific applicability.**

## **OCS Chapter 6**

**6a. Other Potentially Direct and Material Laws and Regulations:** Ohio Revised Code Sections 3769.01, 3769.04, and 3769.06 – Horse-racing permit required, application for permit, and renewal of permit.

**Summary of Requirement:** No person, association, corporation, or trust shall hold, conduct, assist, or aid and abet in holding conducting any meetings, at which horse racing is permitted for any stake, purse, or award, unless such person, association, corporation, or trust secures a permit to conduct a horse-racing meeting.

Any person, associations, corporation, or trust desiring to hold or conduct a horse-racing meeting, wherein the pari-mutuel system of wagering is allowed, shall apply to the state racing commission (commission) for a permit. Each application, accompanied by a permit fee of ten dollars and a cash bond, certified check, or bank draft, shall be filed with the commission at least five days prior to the first day of each horse-racing meeting. The permit shall be signed by its president or vice-president and attested by the secretary or assistant secretary under the seal of the seal of the association, trust, or corporation, if it has a seal, and shall also be verified under oath by one of the officers signing the application.

Each permit issued under this section to hold or conduct a horse-racing meeting shall be issued for one year from the first day of January of the year for which it is issued. The holder of such permit shall be entitled to renewal of the permit upon application to the commission for a renewal.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Tickler Files</li> <li>• Legislative and Management Monitoring</li> </ul>		

<ul style="list-style-type: none"><li>• Management's identification of changes in laws and regulations</li><li>• Management's communication of changes in laws and regulations to employees</li></ul>		
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**Suggested Audit Procedures – Compliance (Substantive) Tests:**

Examine the required permit. Determine that it was current at the time of the races.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

**Applicability: County and independent societies****OCS Chapter 6**

**6b. Other Potentially Direct and Material Laws and Regulations:** Ohio Revised Code Section 3769.082 – Ohio Fairs Fund; distribution.

**Summary of Requirement:** Ohio Fairs Fund moneys shall be distributed by the director of agriculture annually, on or before the first day of March, as follows:

- To each county agricultural society and to each independent agricultural society conducting an annual fair, a prescribed percentage of Ohio Fairs Fund money, to be allocated for general operations.
- To each county agricultural society and each independent agricultural society conducting horse races (harness races or running races) during their annual fair, the sum of four thousand dollars, to be used as purse money for horse races in accordance with this section, and the additional sum of one thousand dollars to each such county agricultural society and independent agricultural society to be used for race track maintenance and other expenses necessary for the conduct of such horse races or colt stakes.
- A grant of four thousand dollars shall be available to each county or independent agricultural society for the conduct of four stake races for two-year-old and three-year-old colts and for four stake races for two-year-old and three-year-old fillies at each gait of trotting and pacing, provided, that at least five hundred dollars shall be added to each race. Exclusive of entrance fees and the excess moneys provided below, the grant of four thousand dollars for purse money provided, a sum not to exceed three thousand dollars may be used by a society to reach the required purse for each of the eight stake races. Such stake races shall be distributed as evenly as possible throughout the racing season.
- In the event that the moneys available on the first day of March of any year are less than that required above, the amount distributed from the Ohio Fairs Fund may be different than the amounts reflected above.
- County agricultural societies and independent agricultural societies conducting stake races shall, on or before the first day of November in the year immediately preceding the year in which the moneys are to be distributed, make application for participation in such to the director of agriculture on forms provided by the director.
- Distribution of moneys for stake races shall not be paid to county agricultural societies and independent agricultural societies that conduct on their race courses automobile or motorcycle races during any year for which such distribution is requested, unless such automobile or motorcycle races are not conducted during the days and nights that horse racing is being conducted at such fair.
- Any county agricultural society or independent agricultural society which uses the moneys distributed under this section for any purse other than that provided in this section is not

eligible to receive distribution from the Ohio Fairs Fund for a period of two years after such misuse of such moneys occurs.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> <li>• Policies and Procedures Manuals</li> <li>• Knowledge and Training of personnel</li> <li>• Periodic Reviews/Comparisons of Budgeted and Actual Amounts</li> <li>• Presence of Effective Accounting System</li> <li>• Legislative and Management Monitoring</li> <li>• Management's identification of changes in laws and regulations</li> <li>• Management's communication of changes in laws and regulations to employees</li> </ul>		

**Suggested Audit Procedures – Compliance (Substantive) Tests:**

- a. Determine whether the society received Ohio Fairs Fund in the State and Local Fund, and how much was restricted for racing purses and track maintenance according to the above sections.
- b. Compare amounts distributed for race purses and track maintenance to the amounts restricted to these purposes, and compute whether the amounts disbursed at least equaled the restricted amounts.

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

**Note: Auditors should test cell phone and government-owned vehicles/equipment requirements as applicable in Chapter 7 of the OCS. Refer to the Introduction and Appendix F for guidance on specific applicability.**

**Applicability: County and independent societies**

**Note: Auditors should test credit card requirements as applicable in Chapter 7 of the OCS. Refer to the Introduction and Appendix F for guidance on specific applicability.**

**Applicability: County and independent societies**

**OCS Chapter 7**

**7a. Compliance Requirement:** Ohio Revised Code Sections 117.38, 901.06, and 1711.05 – Filing financial reports and Publication of treasurer's account.

**Summary of Requirement:** Prior to the first day of December of each year, the director of agriculture shall set a date in January of the following year, on which the director shall meet with the presidents or other authorized delegates of agricultural societies which conduct fairs in compliance with sections 1711.01 to 1711.35, inclusive, of the Revised Code, and regulations of the department of agriculture. Each society shall deliver its annual report to the director at or before the January meeting. [RC 901.06]

Cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Since the Auditor of State has not prescribed a form for the report, the society shall file an annual report using the format as suggested in the handbook titled, "Uniform System of Accounting for Agricultural Societies." Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. [RC 117.38]

Every county agricultural society annually shall publish an abstract of its treasurer's account in a newspaper of the county and make a report of its proceedings during the year. [RC 117.38 & 1711.05]

**Sample Questions and Procedures**

1. Trace selected totals from the annual report to the underlying accounting system. If we use the annual report as a trial balance, we will satisfy this requirement by completing the mandatory Trial Balance steps from the financial audit program. If the report is significantly deficient, we should cite ORC 117.38 for filing an incomplete or misleading report.
2. Search LGS's annual report file to determine whether the government filed an annual report with our office.
3. Inquire to determine the date the report was filed with the Director of Agriculture.

**You can limit the following step to every other audit, unless the prior audit found noncompliance or unless you have other reasons to suspect this may be a compliance issue. The working papers should document whether we tested this in the prior audit.**

4. Please show me a proof of publication for the annual notice.

**List the government personnel interviewed, interview dates, documents examined, and observations made:**

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

**Note: Auditors should test depository requirements as applicable in Chapter 7 of the OCS. Refer to the Introduction and Appendix F for guidance on specific applicability.**

**Note: Auditors should test public meetings requirements as applicable in Chapter 7 of the OCS. Refer to the Introduction and Appendix F for guidance on specific applicability.**

**Note: Auditors should test public records requirements as applicable in Chapter 7 of the OCS. Refer to the Introduction and Appendix F for guidance on specific applicability.**

**Note: Auditors should test income tax requirements as applicable in Chapter 7 of the OCS. Refer to the Introduction and Appendix F for guidance on specific applicability.**

**Applicability: County and independent societies**

**OCS Chapter 7**

**7h. Compliance Requirement:** Ohio Revised Code Section 5709.10 – Exemption of County Fairground from Real Estate Tax.

**Summary of Requirement:** Property used as a county fairground that is owned by the board of county commissioners or by a county agricultural society shall be exempt from taxation.

**Sample Questions and Procedures**

**You can limit the following steps to every other audit, unless the prior audit found noncompliance or unless you have other reasons to suspect this may be a compliance issue. The working papers should document whether we tested this in the prior audit.**

- a. How do you ensure the Society does not pay real estate tax?
- b. Verify the Society did not pay real estate tax by scanning the disbursements included in Account # 7480.

**List the government personnel interviewed, interview dates, documents examined, and observations made:**

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**

**Applicability: County societies****OCS Chapter 7**

**7i. Compliance Requirement:** Ohio Revised Code Section 1711.24 – Insurance on county society's buildings.

**Summary of Requirement:** The board of county commissioners of a county in which there is a county agricultural society shall insure the buildings on the grounds of such society for the benefit of such society.

**Sample Questions and Procedures**

**You can limit the following steps to every other audit, unless the prior audit found noncompliance or unless you have other reasons to suspect this may be a compliance issue. The working papers should document whether we tested this in the prior audit.**

- a. Scan the policy covering grounds and buildings.
- b. Judge whether the amount of the insurance adequate considering the value of the buildings and contents. If you deem it inadequate, discuss with management and determine whether we should recommend they consider increasing their coverage.

**List the government personnel interviewed, interview dates, documents examined, and observations made:**

**Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies /material weaknesses, and management letter comments):**