

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for HIV Prevention Activities Health Department Based (CFDA #93.940) & Grants to provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA #93.918) Qualified for Maternal and Child Health Services Block Grant (CFDA #93.994)
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	HIV Prevention Activities Health Department Based – CFDA #93.940 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease – CFDA #93.918 Maternal and Child Health Services Block Grant – CFDA #93.994
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505

FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

However, the General Fund had original appropriations in excess of total original estimated resources.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

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

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Numerous expenditures tested were not properly certified.

We recommend the City implement policies to ensure that all purchases first have monies certified by the City Auditor before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority.

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OMB CIRCULAR A-133 §.505**

**FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-003

Reportable Condition

Estimated receipts and appropriations should be posted to the accounting system so that they reflect Council approved amounts per the Appropriation Ordinance and the City Auditor's Certificate of Estimated Resources.

We noted several discrepancies between the approved amounts and the amounts entered into the system for various funds tested. This could result in misstatement in the City's budgetary statements and lead to inaccurate financial decisions made by City Council and management.

We recommend the City Auditor post appropriations to reflect the appropriations approved by the City Council in an accurate and timely manner and the City Auditor ensure all estimated receipts posted to the system reflect the amounts on the Certificate of Estimated Resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2005-004
CFDA Title and Number	Maternal and Child Health Service Block Grant – CFDA #93.994
Federal Award Number	73-2-001-A1
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance/Material Weakness - Reporting

There are no financial reporting requirements from the local level to the Federal government. Financial reporting at the local level is directly to Ohio Department of Health (ODH) through periodic Certified Expenditure Reports and an Annual Reconciliation Expenditure Report.

- The expenditure reports are to be submitted quarterly unless the sub grantee is directed otherwise in the RFP or Notice of Award.
- The information in the expenditure reports must correspond with the sub grantee's accounting records and supporting documentation.

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**FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2005-004 (Continued)
CFDA Title and Number	Maternal and Child Health Service Block Grant – CFDA #93.994
Federal Award Number	73-2-001-A1
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

- Reports of project expenditures and revenues must be on the same accounting basis (i.e., cash or accrued expenditure) as the agency's accounting system. The accounting basis used can not be changed without ODH approval.
- The periodic expenditure report must be submitted in duplicate to the ODH Grants Administration Unit within fifteen (15) calendar days following the end of the reporting period.
- The annual expenditure report must be submitted in duplicate forty-five (45) calendar days following the end of the grant year to the ODH Grants Administration Unit. (ODH GAPP Manual section 505.1, and 505 introduction)

The Certified Expenditure Reports include financial information pertaining to the program (including: current period and year to date expenditures, outstanding obligations, grant and program income receipts for the period and year to date, available cash balance, and other financial information).

The fourth quarterly (or last periodic) Certified Expenditure Report will be considered an interim final expenditure report. If the final Annual Reconciliation Expenditure Report is not received within 45 calendar days after the end of the grant year, the fourth quarterly Certified Expenditure Report will be considered as the final. (ODH GAPP Manual section 506.3)

Both the City's quarterly and the final expenditure reports did not tie to the City's accounting ledgers or the spreadsheets maintained by the Health Department. Although the City tracks all CFHS program expenditures in account 252.443, the expenditures in that account are not just federal expenditures required to be reported to the State of Ohio. It also includes expenditures from program income, Medicaid revenue, and donations received from the women's clinic. With these expenditures included in that account, the health department had no way to identify specific expenditures that were federal. Due to this, the health department had to estimate its expenditures on their quarterly and final expenditure reports. However, the Health Department did not use a consistent manner when estimating the expenditures so the amounts reported could not be substantiated. We noted several line item expenditures in the final and quarterly reports submitted which did not agree to the City's accounting records.

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FOR THE YEAR ENDED DECEMBER 31, 2004

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2005-004 (Continued)
CFDA Title and Number	Maternal and Child Health Service Block Grant – CFDA #93.994
Federal Award Number	73-2-001-A1
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Pass-Through Agency	Ohio Department of Health

Without proper support of expenditures reported to the State of Ohio, there is an increased risk of questioned costs. In order to eliminate the incorrect reporting of federal expenditures, the expenditures should be tracked in a manner that allows one to easily identify them as a federal program expenditure. One should also be able to identify which grant period the monies are being charged against. However, the City has commingled its federal, state, and program income from the Child and Family Health Services (CFHS) Program into one fund on the City's ledgers. Due to this, it is difficult to identify which expenditures are federal. It is also difficult to determine which grant year the expenditure pertains to. Without separate identification of federal expenditures, difficulty arises in determining which expenditures are subject to federal guidelines.

We recommend the City begin tracking the federal portion of the CFHS grant in a separate fund to allow for proper tracking of expenditures. This will allow for better monitoring of expenditures and the cash balances. We also recommend the City's Health Department begin reporting to the State those expenditures supported by the City's accounting records. If an estimate must be made, we recommend documenting the method in which the estimate is calculated and consistently applying that estimate for all expenditures reported.

**CITY OF PORTSMOUTH
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**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Noncompliance of Ohio Rev. Code Section 5705.38, 5705.40 & 5705.42	Yes	
2004-002	Noncompliance of Ohio Rev. Code Section 5705.39	No	Not corrected. Repeated as Finding Number 2005-001
2004-003	Noncompliance of Ohio Rev. Code Section 5705.41 (B)	No	Partially corrected. Included in Management Letter.
2004-004	Noncompliance of Ohio Rev. Code Section 5705.41 (D) (1)	No	Not corrected. Repeated as Finding Number 2005 - 002
2004-005	Material Weakness – Monitoring of Municipal Court receivables and collection	Yes	
2004-006	Reportable Condition - Several discrepancies between the approved estimated receipts and appropriations and the amounts entered into the	No	Not corrected. Repeated as Finding Number 2005 -003
2004-007	Noncompliance Citation/Material Weakness for Maternal and Child Health Service Block Grant – Reporting	No	Not corrected. Repeated as Finding Number 2005 - 004
2004-008	Noncompliance Citation for Community Development Block Grants/State Program – Cash Management	No	Not corrected.