



OHIO AUDITOR OF STATE
KEITH FABER



**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY
DECEMBER 31, 2021, 2020, AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Pike County Convention and Visitors Bureau
Pike County
P.O. Box 134
Waverly, Ohio 45690

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Pike County Convention and Visitors Bureau, Pike County, (the Bureau), as of and for the years ended December 31, 2021, 2020, and 2019. These procedures were designed to satisfy the audit requirements of Ohio Rev. Code § 117.11, and Ohio Admin. Code 117-4-02. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2021-001 through 2021-009 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Bureau, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2021-006 through 2021-014.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio
November 27, 2023

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PIKE COUNTY CONVENTION AND VISITORS BUREAU

Pike County, Ohio

Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

For the Years Ended December 31, 2019 - 2021

	2019	2020	2021
Cash Receipts			
Unclassified	\$ 50,749	\$ 30,230	\$ -
<i>Total Cash Receipts</i>	<u>50,749</u>	<u>30,230</u>	<u>-</u>
Cash Disbursements			
Current:			
Unclassified	49,022	28,611	4,529
<i>Total Cash Disbursements</i>	<u>49,022</u>	<u>28,611</u>	<u>4,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,727</u>	<u>1,619</u>	<u>(4,529)</u>
Other Financing Receipts (Disbursements)			
Transfers to Checking Account	7,138	4,500	2,300
Transfers From Savings Account	(7,138)	(4,500)	(2,300)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	1,727	1,619	(4,529)
<i>Fund Cash Balances, January 1</i>	<u>1,772</u>	<u>3,499</u>	<u>5,118</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,499</u>	<u>\$ 5,118</u>	<u>\$ 589</u>

See accompanying notes to the basic financial statements

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PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2021-2019

Note 1 – Summary of Significant Accounting Policies

Organization

The Pike County Convention and Visitors Bureau (the Bureau) is a nonprofit organization which promotes travel and tourism in Pike County, Ohio. The organization is funded by an excise tax on lodging of transient guests within Pike County. The Bureau is governed by a Board of Trustees composed of at least ten members appointed by members of the Bureau Board of Trustees.

Basis of Presentation

The Bureau's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis). The financial statement is prepared on the basis of cash receipts and disbursements. Consequently, support and revenue are recognized when received, and expenses are recognized when paid.

Excise tax on lodging is recognized by the Bureau as it is received from Pike County, and may not represent all revenue that is actually due from the lodging establishments. Pike County is solely responsible for collection of the tax.

Fund Accounting

The Bureau maintains its financial records using one fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits

The Bureau had a regular checking account and two savings accounts during the audit period.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2021-2019

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Bureau must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Bureau classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Bureau did not have any nonspendable fund balance classifications during the period 2019 to 2021.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions. The Bureau did not have any restricted fund balance classifications during the period 2019 to 2021.

Committed Trustees can *commit* amounts via formal action (resolution). The Bureau must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Bureau did not have any committed fund balance classifications during the period 2019 to 2021.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Bureau Trustees or a Bureau official delegated that authority by resolution, or by State Statute. The Bureau did not have any assigned fund balance classifications during the period 2019 to 2021.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Bureau applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Deposits

The Bureau maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2019	2020	2021
Demand deposits	\$3,499	\$5,118	\$589

PIKE CONVENTION AND VISITORS BUREAU

Pike County

Notes to the Financial Statements

For the Years Ended December 31, 2021-2019

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 3 - Social Security

The Bureau's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Bureau contributed an amount equal to 6.2 percent of participants' gross salaries.

Note 4 - Hotel and Lodging Bed Tax and Concentration of Risk

The Bureau received excise tax on lodging establishments which represented 78 percent of total revenues in 2019, 42 percent in 2020, and 86 percent in 2021. At December 31, 2021, all lodging establishments were current in remitting the excise tax. A reduction in this tax could have a significant impact on the operations of the CVB. On July 2020, the Board of the Pike County Commissioners passed Resolution 504-20 which directed the portion of the County Lodging Tax approved by the Board of Commissioners that was distributed to the CVB to now be distributed to the Pike County Chamber of Commerce. In 2021, the CVB did not have any receipts.

Note 5 – Debt

The changes in the CVB's credit card debt during 2019 were as follows:

	Outstanding					Outstanding
	12/31/18	Additions - Advances	Additions - Fees & Interest	Additions - Purchases	Deletions	12/31/19
US Bank Cash Flow Manager	9,805	0	31	11	9,847	\$0
US Bank Business Platinum VISA Card	4,243	0	615	0	4,858	\$0
Total	<u>\$14,048</u>	<u>\$0</u>	<u>\$646</u>	<u>\$11</u>	<u>\$14,705</u>	<u>\$0</u>

The interest rate for the Cash Flow Manager ranged from 11.5% to 17.5%.

The interest rate for the Business Platinum Visa Card for purchases and cash advances ranged from 29.24% to 29.49%.

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**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021, 2020 AND 2019**

FINDING NUMBER 2021-001

Internal Control Deficiency

The minutes of a public meeting of a public body must be “full and accurate.” The minutes must state sufficient facts and information to permit the public to understand and appreciate the rationale behind the public body’s decisions. See State ex rel. White v. Clinton County Board of Commissioners (76 Ohio St. 3d 416) and State ex rel. Long v. Council of the Village of Cardington (92 Ohio St. 3d 54).

Due to insufficient policies and procedures, the following conditions related to the minutes were noted:

- For the period of January 1, 2019 through December 31, 2021, minutes were provided for only 1 meeting. No documentation was provided to determine how many meetings were held during our engagement period.
- Minutes were signed only by the Secretary.
- Salaries and hourly wages were not approved.
- Transfers from savings accounts to other savings accounts and/or checking account not approved.

As the Board speaks through its record of proceedings, the Bureau should maintain an accurate record of all Board meetings and actions. All votes taken should be accurately documented with roll call. Properly documenting all Board actions will help to assure the Bureau that a complete and accurate record of Board proceedings is maintained.

Officials’ Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-002

Internal Control Deficiency

Accurate financial reporting is a key component of an effective accounting system required to enable the Bureau to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

The annual financial report should contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt, the purpose of the debt, and how the debt will be repaid.

Due to inadequate policies and procedures over financial reporting the Bureau did not prepare annual financial statements for any of the years under audit.

Failure to prepare annual financial statements in a timely manner after the fiscal year-end could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks.

**FINDING NUMBER 2021-002
(Continued)**

The lack of financial statements makes it difficult for management to monitor financial performance and impossible for the Bureau to be transparent to the public in its financial activity.

The Executive Director should prepare annual financial statements in a timely manner. Further, the Bureau should establish an accounting system capable of accurate financial reporting. All the Bureau's officials should obtain the necessary training needed to obtain an understanding in accounting information and reporting to help with the understanding of these financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-003

Internal Control Deficiency

Auditing standards from the American Institute of Public Accountants (AICPA) outlined in AU-C 240, Consideration of Fraud in a Financial Statement Audit, discuss the responsibility for the prevention and detection of fraud, which lies with the Bureau's management and those charged with governance. AU-C 240.04 further indicates, "It is important that management, with the oversight of those charged with governance, places a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behavior, which can be reinforced by active oversight by those charged with governance." Additionally, as communicated in the engagement letter, management and those charged with governance are not only responsible to design and implement programs and controls to prevent and detect fraud, but also to report to us fraud of which they are aware.

Due to insufficient Fraud Risk Assessment Questionnaire responses from Those Charged with Governance and the lack of related assurances, an additional fraud risk exists at the Bureau. A lack of communication, implementation, support, or enforcement of the Bureau's values or ethical standards by management.

Additional testing was performed over the non-payroll purchasing cycle to address these risks. For 100% of the non-payroll transactions reviewed, no evidence of review by the Board of individual transactions' supporting documentation was available.

Additionally, the Bureau does not have a policy manual that includes an ethics policy nor were any communications of such standards made available for review.

In order to mitigate the fraud risks identified above, the Bureau management and Those Charged with Governance should draft, approve, implement, and monitor internal control policies which:

- require documentation of at least one Board Member's review of supporting documentation for all non-payroll disbursements, and
- clearly communicate the Bureau's values and ethical standards, as well as any related disciplinary actions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-004

Internal Control Deficiency

Auditor of State (AOS) Bulletin 2004-010 states an auditor can regard electronic imaging of checks as evidence when performing an audit. The Bulletin provides, in part, that a bank may use the electronic image to create a “substitute check” for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check. A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink

character recognition (MICR) line containing all of the information appearing on the original check’s MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered to be the legal equivalent of the original paper check.

For governments that do not receive their canceled original or substitute checks, AOS suggests these governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly. If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government’s account.

Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified that requires investigation.

Throughout the audit period, the bank provided optical imaging of the front side of each canceled check. For 2019, the bank did not provide optical images of the reverse side of the canceled checks for the disbursements. By not having the reverse side of the check, it is not possible to ensure that the payees as well as the various endorsements are appropriate. This could result in a lack of sufficient audit evidence or could relate in a failure to follow the records retention laws.

The Executive Director should consult with the bank to have the bank provide images of both the front and reverse side of each canceled check for disbursements. As an alternative, the bank could send the original canceled checks back to the Bureau.

Officials’ Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-005

Internal Control Deficiency

When designing the public office’s system of internal control, management should consider taking steps to ensure officials and employees are provided with policies and procedures so that they have a sufficient understanding to perform job duties as expected.

The Bureau did not have a policies and procedures manual to cover travel and mileage reimbursements, expense reimbursements, and leave accrual and usage. These policies should, at a minimum, identify guidelines for allowable travel, allowable expenses to be reimbursed, amount per mile to be reimbursed rate of leave accrual, method of reimbursement, specific unallowable reimbursement, appropriate documentation for reimbursement, appropriate documentation for leave usage, reporting, monitoring by appropriate levels of management, and other guidelines the legislative body deems appropriate.

**FINDING NUMBER 2021-005
(Continued)**

Without documented policies and procedures, the Bureau increases the risk that payments may be for unallowable purposes or for incorrect amounts and payments for leave and leave balances may be inaccurate. Lack of documented policies and procedures also increases the risk that errors, theft or fraud will occur and not be detected in a timely manner.

The Bureau should develop and implement internal documented policies and procedures for travel reimbursement, expense reimbursements and leave.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-006

Internal Control Deficiency/Noncompliance

Maintaining organized documentation and support for financial transactions is essential in assuring the Bureau's financial statements are not materially misstated. Additionally, **Ohio Rev. Code § 149.351** provides that all records are the property of the public office and shall not be removed, destroyed, 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 Sections 149.38 to 149.42, Revised Code.

Several bank statements for the Cash Flow Manager account and credit card account were not provided for audit. Also, bank statements for checking account 2135 and the lease agreement for office space was not provided.

Of the 218 transactions tested, we identified 52 transactions where the Bureau did not obtain proper documentation for checking account transactions. We were able to perform alternative procedures to determine that \$16,470 of the \$18,837 transactions with no supporting documentation was expended for a proper public purpose. Transactions for which the Bureau could not provide evidence that they were for a proper public purpose resulted in findings for recovery.

All expenditures should be supported by adequate documentation to show the amount paid was for a proper public purpose. Without proper documentation on file to support expenditures, the Bureau cannot provide accountability that the cost was for a proper public purpose. Expenditures deemed to not be proper public purpose could result in findings for recovery being issued.

Also, of the 24 receipts tested, we identified 1 receipt for which the Bureau did not obtain proper documentation. All receipts should be supported by adequate documentation to show the amount received was properly deposited and accounted for.

The Bureau should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Furthermore, the Executive Director should keep supporting documentation for all transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-007

Internal Control Deficiency and Noncompliance

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Additionally, **Ohio Admin. Code Sections 117-2-01(D)(3) and (5)** state that when designing the public office's system of internal control and the specific control activities, management should consider adequate security of assets and records and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Executive Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed for the audit period. Failure to reconcile monthly increases the possibility that the Bureau will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. The Executive Director also did not maintain a full and accurate cash journal for the audit period.

The Executive Director should record all transactions in the accounting records and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented, and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-008

Internal Control Deficiency and Noncompliance

Ohio Admin Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin Code 117-2-02-(C) provides that vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach the supporting documentation to the voucher, such as vendor invoices.

Ohio Admin Code Section 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. Such records should include the following:

FINDING NUMBER 2021-008
(Continued)

1. Cash journal, which typically contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
4. In addition, all local public offices should maintain payroll records including a payroll journal that records, assembles and classifies by pay period the name of employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments.

The following deficiencies existed in the accounting records:

- The Bureau did not maintain a receipts ledger or an appropriation ledger that classified receipts and disbursements by accounts.
- The Bureau did not maintain pre-numbered duplicate receipts.
- The Bureau did not maintain a complete payroll ledger.
- The Bureau did not maintain the accounting records in such a manner that allowed the presentation of financial statements in a classified format as required by the Ohio Administrative Code.

Failure to properly maintain accounting records could result in inaccurate amounts being reported by the Bureau on their annual financial report. Also, not having complete and accurate accounting records increases the risk of spending more than is available. Officials need to have complete and accurate accounting records in order to make informed management decisions.

The Bureau should implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format. Additionally, the Executive Director should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Using these accounting records will provide the Bureau with information to prepare annual reports in the format required by the Ohio Revised Code and Ohio Administrative Code.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-009

Internal Control Deficiency and Noncompliance

Ohio Admin. Code Section 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Bureau's staff did not allow for an adequate segregation of duties; the Bureau's Executive Director performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Bureau's Board of Trustees should have monitored financial activity closely.

Due to a lack of adequate policies and procedures regarding financial information monitoring and segregation of duties, the Executive Director did not provide the Board with financial reports to review. Minute records did not show evidence that the Board approved bills to be paid. Bank reconciliations were not completed by the Executive Director and reviewed and approved by the Board.

The Board should implement policies regarding the review of detailed financial reports and bank reconciliations on a monthly basis. The reviews should be documented in the minute record and/or initialed and dated as reviewed. The Board should also make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts and balances sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly monitor the activity of and manage the Bureau.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-010

Noncompliance

Ohio Rev. Code § 5747.07 requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5705.06 (including the state payroll tax) to the appropriate authority. **Ohio Rev. Code § 5747.06**, requires the employing government to withhold state income related taxes. They also require the government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year.

As a result of inadequate payroll policies and procedures, the Executive Director did withhold the required state payroll taxes for the audit period; however, there is no evidence he paid the taxes in accordance with the applicable schedule prescribed by Ohio Rev. Code § 5747.07 or submitted the annual reports to the tax commissioner and/or relevant employee(s) by January 31, 2020.

Failure to file, pay, and/or report the withholdings could result in liabilities, penalties, and interest levied against the Bureau.

**FINDING NUMBER 2021-010
(Continued)**

The Executive Director should remit payment in accordance with applicable law and/or file the required reports when completing the last payroll of the year to avoid interest and penalties.

This matter will be referred to the State of Ohio Department of Taxation.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-011

Noncompliance

26 U.S.C. §3102 states that Medicare taxes should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter and shall not be liable to any person for the amount of any such payment.

During the audit period the Bureau withheld social security and Medicare from the one employee; however, \$131 of the amounts that were withheld was not remitted to the Internal Revenue Service as of December 31, 2021 due to insufficient policies and procedures at the Bureau. There was also no evidence that the \$35,895 reported in the prior engagement covering 2017-2018 was remitted to the Internal Revenue Service. The total withheld was \$36,026. The fund balance of the Bureau at December 31, 2021 was \$589, which is insufficient to remit the amount owed to the Internal Revenue Service.

The Bureau should withhold federal income and/or Medicare from all applicable officials and employees' compensation and remit payments to the Internal Revenue Service in a timely manner.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-012

Noncompliance

Ohio Rev. Code, § 2921.42(A)(1), provides that no public official shall knowingly authorize, or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code § 2921.42(H) provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

FINDING NUMBER 2021-012
(Continued)

Ohio Rev. Code, § 102.03(D) and (E), provides that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

The Ohio Ethics Commission held in Advisory Op. No. 94-002 that a public official who has an ownership interest in a business has a pecuniary interest in the contracts of that business for purposes of Ohio Revised Code Section 2921.42.

During the audit period the Bureau rented office space and reimbursed for phone and internet services from Tim Dailey, who is the brother of the Bureau's Treasurer/Acting Executive Director. The Bureau paid \$13,325 in rent and \$1,500 in reimbursement for phone and internet services. The Bureau's Treasurer signed 5 checks out of 27 checks to Mr. Dailey.

The Bureau should develop a formal policy regarding related party transactions to govern transactions in which members of the Board or the Bureau may have a personal interest. This policy may include Board members abstaining from voting on related party items. Additionally, Board members should refrain from voting on anything that is family related.

This matter will be referred to the Ohio Ethics Commission.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-013

Noncompliance/Finding For Recovery

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att'y. Gen. No. 83-054 and 2003 Op. Att'y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Due to insufficient policies and procedures over credit card expenditures, the Bureau did not provide supporting documentation for the following expenditures. We were unable to determine whether these expenditures were for a proper public purpose due to the Bureau not providing support:

**FINDING NUMBER 2021-013
(Continued)**

- Interest on cash advances on credit card in the amount of \$453.
- Interest on purchases on credit card in the amount of \$7
- Late fees in the amount of \$186 .
- Various purchases in the amount of \$11.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sharon Manson, Prior Executive Director, in the amount of \$657, and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

The Bureau should draft, approve, and implement policies and procedures for credit card expenditures requiring proper support for all transactions and document its determination of items considered to be for a "proper public purpose" as noted above. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2021-014

Noncompliance/Finding For Recovery

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att'y. Gen. No. 83-054 and 2003 Op. Att'y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Due to insufficient policies and procedures, the Bureau did not provide supporting documentation for the following expenditures. We were unable to determine whether these expenditures were for a proper public purpose:

- The Bureau paid late fees in the amount of \$133.
- Bruce Dailey, Treasurer/Acting Executive Director, was paid for \$489 as reimbursement for business expenses, however, no receipts were provided to document these expenses.

**FINDING NUMBER 2021-014
(Continued)**

- Barbara Patterson, Trustee, was paid for \$1,186 as reimbursement for business expenses, however, no receipts were provided to document these expenses.
- The Bureau did not provide support to document proper public purpose for other expenditures totaling \$570.
- The Bureau paid overdraft charges of \$140.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Bruce Dailey, Treasurer/Acting Executive Director, in the amount of \$2,518, and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Barbara Patterson, Trustee; Tom Patterson, Trustee; and Roy Brown, Trustee; signed checks resulting in the finding, are jointly and severally liable, in the amounts of \$1,694, \$1,143, and \$772, respectively and in favor of the Pike County Convention and Visitor's Bureau's operating fund.

The Bureau should draft, approve, and implement policies and procedures requiring proper support for all transactions including original receipts for business expense reimbursements and proper public purpose documentation related to electronic transactions (including withdrawals and overdraft fees) and other transactions of the Bureau. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

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**PIKE COUNTY CONVENTION AND VISITORS BUREAU
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021, 2020 AND 2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2018-001	Ohio Admin. Code §117-2-01(D)(4) Lack of segregation of duties and/or management oversight.	No	Not Corrected
2018-002	Lack of established policies and procedures.	No	Not Corrected
2018-003	Lack of bank reconciliations.	No	Not Corrected
2018-004	Ohio Admin. Code §117-2-02(A),(C) and (D) Lack of complete accounting records.	No	Not Corrected
2018-005	Ohio Rev. Code §149.351 Lack of supporting documentation.	No	Not Corrected
2018-006	Lack of financial reports.	No	Not Corrected
2018-007	Lack of complete minute records.	No	Not Corrected
2018-008	Lack of a credit card policy.	No longer applicable	Finding no Longer Valid as the Bureau no longer uses credit cards.
2018-009	Lack of controls over payroll disbursements	Yes	
2018-010	Section 278 Public Law 97-248, H.R.4961; 26 U.S.C. §3402 (a)(1) and 3403 Failure to remit federal payroll taxes withheld.	No	Not Corrected
2018-011	Ohio Rev. Code §5747.06 Failure to remit state payroll taxes withheld.	No	Not Corrected
2018-012	26- C.F.R. Sections 1.6041-1 and 1.6041-2 Failure to issue W-2 and 1099 forms.	Yes	
2018-013	Failure to obtain reverse image of checks from bank.	No	Partially Corrected, images obtained for 2020 and 2021, not for 2019
2018-014	Inappropriately expending money from wrong accounts.	Yes	
2018-015	Finding For Recovery for overpayment of contracted labor.	No	Not Corrected, not repaid.
2018-016	Finding For Recovery for overpayment of contracted labor.	No	Not Corrected, not repaid
2018-017	Finding for Recovery over checking account expenditures.	No	Not Corrected, not repaid.
2018-018	Finding for Recovery over credit card expenditures.	No	Not Corrected, not repaid.

OHIO AUDITOR OF STATE KEITH FABER



PIKE COUNTY CONVENTION AND VISITORS BUREAU

PIKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/26/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov