



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hardin Soil and Water Conservation District
Hardin County
12751 St. Rt. 309 W.
Kenton, Ohio 43326

We have performed the procedures enumerated below, which were agreed to by the Board of Supervisors (the Board) and the management of the Hardin Soil and Water Conservation District (the District) on the receipts, disbursements and balances recorded in the District's cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances, included in the information provided to us by the management of the District. The District is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the District. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We attempted to agree the January 1, 2017 beginning fund balances recorded in the District's *Cash Basis Annual Financial Report* to the December 31, 2016 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We noted that in 2017 the District separately reported the Lake Erie NRP Fund, with a balance of \$4,061, since the grant money had been received for this project and needed to be tracked separately. However, the District did not reduce the District Fund by this amount, which resulted in a \$4,061 difference between the January 1, 2017 balances and the December 31, 2016 balances. We agreed the January 1, 2018 beginning fund balances recorded in the District's *Cash Basis Annual Financial Report* to the December 31, 2017 balances in the District's *Cash Basis Annual Financial Report*. We found no exceptions.
3. We attempted to agree the totals per the District Fund and Lake Erie NRP Fund bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the District's *Cash Basis Annual Financial Report* for the District Fund and Lake Erie NRP Fund. For 2017, the bank reconciliation total was \$4,061 less than the total of the December 31, 2017 fund cash balance reported in the District's *Cash Basis Annual Financial Report* for the District Fund and Lake Erie NRP Fund because when the District reported the Lake Erie NRP Fund separately, the District Fund Balance was not reduced. For 2018, no exceptions were noted.
4. We confirmed the December 31, 2018 bank account depository balances for the District Fund and Lake Erie NRP Fund with the District's financial institution. We found no exceptions.

5. We compared the December 31, 2018 Special Fund depository balance from the *Cash Basis Annual Financial Report* to the amount reported in the Hardin County Fund History Report. We found no exceptions.
6. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 bank reconciliation:
 - a. We footed the supporting outstanding check list and compared it to the cash reconciliation. We found no exceptions.
 - b. We traced check #6126, #6129 and #6130 to the subsequent January through May bank statements. We found no exceptions. We noted that check #6086 has not cleared the bank and the District Administrator is going to contact the individual concerning the status of this check. Check #6108 was voided and reissued on April 10, 2019 as check #6177.
 - c. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.
7. We selected the reconciling credit (such as deposits in transit) from the December 31, 2018 bank reconciliation:
 - a. We traced the credit to the subsequent January bank statements. We found no exceptions.
 - b. We agreed the credit amount to the Account Register Report. The credit was recorded as a December receipt for the same amount recorded in the reconciliation.

Intergovernmental and Other Confirmable Cash Receipts

We applied the following procedures for the years ended December 31, 2018 and 2017:

1. We traced the total of the receipts from the State Distribution Transaction Lists (DTL) and the total of the receipts from the County Auditor's Revenue History by Vendor Report to the total amounts recorded in the respective receipt classification in the Special Fund in the *Cash Basis Annual Financial Report*. For 2018, the amounts agreed except \$8,000 in State Funding from the State DTL was recorded as Federal Funding. For 2017, the amounts agreed.
2. We selected a sample (agreed upon) of five other confirmable receipts from the year ended December 31, 2018 and five other confirmable receipts from the year ended December 31, 2017 in the Account Register Report from funds other than the *Special Fund* such as grants, municipal and district funds.
 - a. We confirmed or agreed to contract or copy of check the amounts paid from the municipalities and districts to the District. We found no exceptions.
 - b. We inspected the Account Register Report to determine whether these receipts were allocated to the proper fund. We found no exceptions.

Payroll Cash Disbursements

1. We selected one payroll check for four employees from 2018 and one payroll check for four employees from 2017 from the Hardin County Payroll of Employees Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Hardin County Payroll of Employees Report to supporting documentation (timecard and statutorily-approved rate). We found no exceptions.
 - b. We inspected the Hardin County Payroll of Employees Report to determine whether salaries and benefits were paid only from the *Special Fund*, as required by the SWCD Administrative Handbook Chapter 5. We found no exceptions.

- c. We inspected the Hardin County Payroll of Employees Report to determine whether the check was classified as *salaries* and was posted to the proper year. We found no exceptions.

Non-Payroll Cash Disbursements

1. We selected a sample (agreed upon) of five disbursements from the *Special Fund* and five disbursements from the *District Fund* and other funds from the Account Register Report for the year ended December 31, 2018 and five from the *Special Fund* and five from the *District Fund* and other funds for the year ended 2017 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. For *District Fund* and other funds disbursements, we determined whether:
 - i. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the similar data recorded in the Account Register Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - ii. The payment was posted to a fund consistent with the purpose for which the fund's cash can be used. In 2017, a payment was made to an employee for payment "in-lieu" of a raise from the District Fund. Testing was expanded to identify other such instances of payments "in-lieu" or raises. During 2017, payments were made to each of the four employees of the District "in-lieu" of a raise from the District Fund.

Ohio Rev. Code § 940.08 states, in part, the supervisors of a soil and water conservation district may employ assistants and such other employees as they consider necessary and may provide for the payment of the reasonable compensation of such assistants and employees and expenses incurred by them in the discharge of their duties from the special fund established for the district pursuant to section 940.12 of the Revised Code.

26 C.F.R. § 1.6041-2(a)(1) states, in part, wages as defined in section 3401, paid to an employee are required to be reported on Form W-2.

26 U.S.C. § 3402(a)(1) requires, 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. § 3102(a) requires the tax imposed by Section 3101 to be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

Ohio Rev. Code § 5747.06 states, in part, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

Ohio Rev. Code § 145.01(R)(1) provides, in part, "earnable salary" means all salary, wages, and other earnings paid to a contributor by reason of employment in a position covered by

the Ohio Public Employees Retirement System. "Earnable salary" includes payments made by the employer in lieu of salary, wages, or other earnings for sick leave, personal leave, or vacation used by the contributor.

The District made payments from the District Fund to its employees for "in-lieu" of raises for the year 2017 in the amount of \$14,000. The employees received a Form 1099 for the payments. We found no exceptions for 2018.

The failure to include raises as part of wages resulted in the under withholding and remittance of required deductions and applicable employer contributions. This may result in the District being liable for the employee and employer contributions along with any penalties and interest. The payment of wage related disbursements from the wrong fund not only results in the illegal disbursement of restricted money, but also may result in the need to adjust the impacted funds.

District employee's wages should be paid from the Special Fund with applicable deductions being withheld and remitted. If the Special Fund does not have the resources to make these payments then the District, if allowable, should transfer money to the Special Fund from the District Fund. All wages earned by the District employees should be reported on their Form W-2 forms along with their applicable deductions.

This matter will be referred to the Internal Revenue Service, the Ohio Department of Taxation, and the Ohio Public Employees Retirement System.

- c. For *Special Fund* disbursements, we determined whether:
- i. The payee name and amount recorded on the invoice submitted to the County Auditor agreed to the payee name and amount recorded in the Account Register Report and County Reports. We found no exceptions.
 - ii. The names and amounts on the voucher agreed to supporting invoices. We found no exceptions.
 - iii. The voucher sheet was signed by the fiscal officer and approved by a majority of the Board of Supervisors. We found no exceptions.

Special Fund Budgetary Compliance

1. We inspected the District's Special Fund Budget Request submitted to the County Commissioners for the years ended December 31, 2018 and 2017. The request included the Special Fund's *Needs, Income* and *Balances* anticipated for carry over from the current year, as required by the SWCD Administrative Handbook, Chapter 5. We also compared the budget amounts to the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. The amounts agreed.
2. We attempted to compare the total estimated receipts reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report to the *Amended Official Certificate of Estimated of Estimated Resources* required by Ohio Rev. Code Section 5705.36(A)(1), and to the amounts recorded in the Revenue Account Report for the Special Fund for the years ended December 31, 2018 and 2017. Estimated receipts agreed to the Revenue Account Report for 2018 and 2017; however, the amount reported in the Special Fund Budgetary Activity footnote of the *Cash Basis Annual Financial Report* did not agree. The amount reported as estimated receipts for 2018 was \$223,700; however, the footnote shows \$238,745 and the estimated receipts for 2017 was \$209,300; however, the footnote shows \$206,112. Estimated receipts reported on the Budgetary Activity footnote of the *Cash Basis Annual Financial Report* should agree to the Revenue Account Report.

3. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether the Supervisors appropriated separate amounts within the Special Fund for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
4. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Report for the Special Fund 2018 and 2017, and to the appropriations reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. Appropriation Authority was not presented in the Special Fund Budgetary Activity footnote of the *Cash Basis Annual Financial Report*; however, the appropriations agrees to the Appropriation Report. Appropriations should be reported on the Special Fund Budgetary Activity footnote.
5. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.28(B)(2)(C) prohibit appropriations from exceeding estimated resources. We compared total appropriations to total estimated resources for the Special Fund for the year ended December 31, 2018 and 2017. Appropriations did not exceed estimated resources for the Special Fund.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus year-end certified commitments (i.e. encumbrances)) from exceeding appropriations. We compared total disbursements plus outstanding year-end encumbrances to total appropriations for the years ended December 31, 2018 and 2017 for the "Special" Fund, as recorded in the Annual Cash Basis Financial Report. Expenditures did not exceed appropriations for the Special Fund.
7. We inspected the Annual Cash Basis Financial Report for the years ended December 31, 2018 and 2017 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No funds had negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the General Ledger for the years ended December 31, 2018 and 2017 to determine if the District purchased equipment and services allowed by ORC 940.08 or purchased goods or services allowed by ORC 940.06 whose cost, other than personal service compensation or office space rent, exceeded \$50,000. There were no purchases exceeding \$50,000.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires Districts to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, regarding the filing complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the District filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. There were no exceptions.
2. For all credit card accounts we obtained:
 - copies of existing internal control policies,
 - a list of authorized users, and
 - a list of all credit card account transactions.

- a. We inspected the established policy obtained above and determined it is:
 - i. in compliance with the HB 312 statutory requirements, and
 - ii. implemented by the entity.

The credit card policy did not contain a procedure for acquisition and use of credit cards and a procedure for credit card issuance, credit card reissuance, credit card cancellation, and the process for reporting lost or stolen credit cards.

- b. We selected 3 credit card transactions for testing. For selected transactions we inspected documentation to determine that:
 - i. Use was by an authorized user within the guidelines established in the policy, and
 - ii. Each transaction was supported with original invoices and for a proper public purpose.

We found no exceptions.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the District's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



HARDIN COUNTY SOIL AND WATER CONSERVATION DISTRICT

HARDIN 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
SEPTEMBER 10, 2019**