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MANAGEMENT LETTER

Shelby City Health Department
Richland County
43 West Main Street
Shelby, Ohio 44875

To the City Council:

We have audited the financial statements of the Shelby City Health Department, Richland County, Ohio, (the Health Department) in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2019, and have issued our report thereon dated June 10, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Health Department.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated June 10, 2020, for the year ended December 31, 2019.

We are also submitting the following comments for your consideration regarding the Health Department's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the *Government Auditing Standards* report. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. These comments reflect our continuing desire to assist your Health Department but are only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

NONCOMPLIANCE FINDINGS

1. Public Records Training

Ohio Rev. Code § 149.43(E)(1) states "To ensure that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training approved by the attorney general as provided in section 109.43 of the Revised Code."

We noted one City Council member did not attend public records training and did not designate an individual to attend on his behalf during his term ending December 31, 2019.

Failure to attend the required training increases the likelihood of improperly handling public records requests.

We recommend all elected officials, or their designee, attended the required public records training during each term in office as required by the Ohio Revised Code.

NONCOMPLIANCE FINDINGS – (Continued)

2. Timely Deposits

Ohio Rev. Code § 9.38 states a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

During 2019, we noted the Health Department deposited cash with the City Finance Director once per week, and does not have a policy permitting a different time period for amounts less than one thousand dollars.

Failure to deposit receipts timely increases the risk of Health Department funds being lost, misappropriated, or improperly posted, and these errors going undetected by management.

We recommend the Health Department implement procedures to ensure receipts are deposited timely in accordance with State statute.

RECOMMENDATION

1. Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Health Department did not have sufficient internal controls in place to help ensure fund balances were properly classified on the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. As a result, the December 31, 2019 General fund balance in the amount of \$267,200 was reclassified from unassigned to assigned for excess of subsequent year appropriations versus estimated receipts. The Health Department has recorded this reclassification to the financial statements and accounting records.

Additionally, we identified the following items which were reported to management as unadjusted differences:

- General fund balance reclassification of \$11,284 from unassigned to assigned for end of year encumbrances.
- Reclassification of \$14,910 of restricted food service license receipts and related expenditures into a separate Special Revenue fund.

By not ensuring proper financial statement presentation, the Health Department cannot report accurate financial activity to its constituents.

We recommend the Health Department implement additional procedures to ensure all funds and fund balances are classified properly within the financial statements in accordance with GASB Statement No. 54.

We intend this report for the information and use of the City Council and management.

A handwritten signature in black ink, appearing to read "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

June 10, 2020