



Dave Yost • Auditor of State

CITY OF PORTSMOUTH
SCIOTO COUNTY

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**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program			
Community Development Program	A-F-09-167-1	14.228	\$81,554
Community Development Program	A-F-10-2DH-1		134,453
Community Housing Improvement Program	A-C-10-2DH-1		49,910
CDBG Revolving Loan	N/A		75,000
<i>Passed Through Vinton County, Ohio:</i>			
Neighborhood Stabilization Program (NSP-1)	B-Z-08-075-1	14.228	4,000
Total Community Development Block Grants/State's Program			344,917
<i>Passed Through Ohio Department of Development:</i>			
Home Investment Partnerships Program	A-C-10-2DH-2	14.239	203,186
Total U.S. Department of Housing and Urban Development			548,103
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Department of Public Safety - Office of Criminal Justice:</i>			
ARRA - Public Safety Partnership and Community Policing Grants	2009-RK-WX-0689	16.710	119,602
Edward Byrne Memorial Justice Assistance Grant Program	2009-DJ-BX-1480	16.738	10,141
	2009-JG-OPD-3741	16.738	2,398
	2010-JG-E01-6706	16.738	50,000
	2010-DJ-BX-0253	16.738	7,583
	2011-JG-E01-6943	16.738	13,770
Total Edward Byrne Memorial Justice Assistance Grant Program			83,892
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	2009-SB-B9-0988	16.804	13,885
Total U.S. Department of Justice			217,379
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety Grant	GG-2013-SA-00-00-00388-00 / GG-2012-SA-00-00-00260-00	20.600	39,839
Total U.S. Department of Transportation			39,839
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed Through Ohio Environmental Protection Agency:</i>			
Air Pollution Control Program Support	2012	66.001	99,033
	2013		71,803
Total Air Pollution Control Program Support			170,836
Total U.S. Environmental Protection Agency			170,836
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Direct from Federal Government:</i>			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	N/A	93.918	228,973
<i>Passed Through Ohio Department of Health:</i>			
Public Health Emergency Preparedness (B)	73-200-12PH-0312	93.069	69,509
	73-200-12PH-0413		25,766
Total Public Health Emergency Preparedness (B)			95,275
Family Planning Services	73-2-001-1-RH-0112	93.217	23,174
	73-2-001-1-RH-0213		17,625
Total Family Planning Services			40,799
HIV Prevention Activities_Health Department Based	73-200-12HP-0512	93.940	530,141
Preventative Health Services_Sexually Transmitted Diseases Control Grant	73-200-12SD-0112	93.977	139,455
Preventative Health and Health Services Block Grant	73-200-001-4-IP-0512	93.991	55,209
Total Passed Through Ohio Department of Health			860,879

CITY OF PORTSMOUTH
SCIOTO COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
<i>Passed Through Substance Abuse and Mental Health Services Administration:</i>			
Drug-Free Communities Support Program Grant	1H79SP018684-01	93.276	26,095
<i>Passed Through The Ohio State University:</i>			
Cancer Cause and Prevention Research	R01CA129771	93.393	<u>4,767</u>
Total U.S. Department of Health and Human Services			1,120,714
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety - Ohio Emergency Management Agency:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4002-DR-145-64304-01 FEMA-4002-DR-145-64304-02	97.036	35,823 <u>8,030</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			43,853
Assistance to Firefighters Grant Program	EMW-2010-FO-09668	97.044	<u>12,528</u>
Total U.S. Department of Homeland Security			<u>56,381</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$2,153,252</u></u>

The Notes to the Federal Awards Expenditures Schedule are an integral part of this Schedule.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A – SIGNIFICANT ACCOUNT POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The City passes certain federal awards received from the Ohio Department of Public Safety – Office of Criminal Justice to other governments or not-for-profit agencies (subrecipients). As Note A describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. No new loans were issued during our audit period. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$78,090
Loans made	0
Loan principal repaid	20,671
Ending loans receivable balance as of December 31, 2012	\$57,419
2012 Expenditure of Revolving Loan Funds to Distell Construction for Grant work on the Mound Park Project	75,000
2012 Transfer of Revolving Loan Funds to the Community Development Checking Account	11,772
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$392,439

The table above reports gross loans receivable.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Portsmouth
Scioto County
728 Second Street
Portsmouth, Ohio 45662

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Scioto County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 4, 2013, wherein we noted the City had a negative cash balance in the General Fund due to the cost of police, fire and other governmental services and that the City has adopted Governmental Accounting Standards Board Statements No. 62, 63 and 65.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* 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. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* 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. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider Findings 2012-001, 2012-002, 2012-007 and 2012-008 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2012-006 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-001 through 2012-006.

Entity's Response to Findings

The City's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

September 4, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Portsmouth
Scioto County
728 Second Street
Portsmouth, Ohio 45662

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Portsmouth's, Scioto County, Ohio (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying Schedule of Findings and Questioned Costs identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Community Development Block Grants/State's Program and Home Investment Partnerships Program

As described in Findings 2012-009, 2012-010, 2012-013 and 2012-014 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2012-009	14.228	Community Development Block Grants/State's Program	Cash Management
2012-010	14.228	Community Development Block Grants/State's Program	Period of Availability
2012-013	14.239	Home Investment Partnerships Program	Cash Management
2012-014	14.239	Home Investment Partnerships Program	Period of Availability

Compliance with these requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

Qualified Opinion on Community Development Block Grants/State's Program and Home Investment Partnerships Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants/State's Program and Home Investment Partnerships Program* paragraph, the City of Portsmouth complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Community Development Block Grants/State's Program and Home Investment Partnerships Program* for the year ended December 31, 2012.

Basis for Adverse Opinion on HIV Prevention Activities – Health Department Based

As described in Findings 2012-018 through 2012-021 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2012-018	93.940	HIV Prevention Activities – Health Department Based	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2012-019	93.940	HIV Prevention Activities – Health Department Based	Period of Availability
2012-020	93.940	HIV Prevention Activities – Health Department Based	Reporting
2012-021	93.940	HIV Prevention Activities – Health Department Based	Procurement and Suspension and Debarment

Compliance with these requirements is necessary, in our opinion, for the City to comply with the requirements applicable to this program.

Adverse Opinion on HIV Prevention Activities – Health Department Based

In our opinion, because of the effect of the noncompliance described in the *Basis for Adverse Opinion on HIV Prevention Activities – Health Department Based*, the City of Portsmouth did not comply, in all material respects with the requirements referred to above that could directly and materially affect its HIV Prevention Activities – Health Department Based.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings and Questioned Costs as items 2012-006, 2012-011, 2012-012 and 2012-015. These Findings did not require us to modify our compliance opinion on each major federal program.

The City's responses to our noncompliance findings are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-009 through 2012-014, 2012-016 and 2012-018 through 2012-021 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-006 and 2012-017 to be significant deficiencies.

The City's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Federal Awards Expenditures Schedule Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Scioto County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated September 4, 2013, wherein we noted the City had a negative cash balance in the General Fund due to the cost of police, fire and other governmental services. Our opinion also explained that the City adopted *Governmental Accounting Standard Nos. 62, 63 and 65* during the year. We conducted our audit to opine on the City's basic financial statements. The accompanying Federal Awards Expenditures Schedule (the Schedule) presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dave Yost
Auditor of State

Columbus, Ohio

September 4, 2013

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified for Community Development Block Grants/ States' Program - CFDA #14.228 and Home Investment Partnerships Program – CFDA #14.239 Adverse for HIV Prevention Activities - Health Department Based - CFDA #93.940
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants/ State's Program - CFDA #14.228 Home Investment Partnerships Program – CFDA #14.239 HIV Prevention Activities - Health Department Based - CFDA #93.940
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-001

Noncompliance, Material Weakness and Finding for Adjustment

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established.

Schonhardt & Assoc. prepared a Cost Allocation Plan for the City in 2011 to allocate fiscal year 2012 costs to various City departments and cost objectives. During our testing of this Cost Allocation Plan, we noted the following:

- The Cost Allocation Plan included various indirect costs such as fringe benefits, utilities, etc. which may be subject to allocation. However, the City only posted allocations pertaining to wages.
- The Cost Allocation Plan as approved includes an iteration factor in the calculation to reallocate indirect costs received back into expending funds. This results in the potential to post the same expenditure multiple times.
- The Cost Allocation Plan did not include descriptions for all expenditure line items allocated.
- The Cost Allocation Plan included a line titled "General Government" which includes all funds not otherwise identified. This is an ambiguous posting covering several funds.
- The City posted allocations from departments not included in the Cost allocation plan: Fire Department (Fund 101.223), Traffic Lights (Fund 101.331), Grounds Maintenance (Fund 101.333), Community Development (Fund 101.661), Eng. Inspection (Fund 101.663), Street Maintenance (Fund 231.335), Water Collections (Fund 604.774), and Flood Defense (Fund 621.225).

These items resulted in monies being paid into funds and subsequently used contrary to their restricted purposes. We recommend the following adjustments for unallowable allocations:

- Decrease General Fund balance by \$274,609.
- Decrease Sewer Fund balance by \$73,319.
- Increase Flood Defense Fund by \$73,779.
- Increase Street Maintenance Fund balance by \$167,474.
- Increase Water Fund balance by \$87,601.
- Increase Sanitation Fund balance by \$19,074.

The adjustments above were made by the client and posted to the client's system. The adjustments were also made to the audited financial statements.

We recommend the City contract for preparation of a Cost Allocation Plan each year which establishes a reasonable methodology for the allocation between funds. We recommend the City post allocation adjustments in accordance with the approved Cost Allocation Plan.

Officials' Response: The City has contracted for preparation of a Cost Allocation Plan and is awaiting the results of the plan. This will be the second plan we have prepared in the past two years.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-002

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had negative cash fund balances at December 31, 2012: General Fund, (\$901,287); Municipal Court Grants Fund, (\$23,830); Federal Cops Hiring Recovery Program (CHRP) Fund, (\$64,459); Appalachian Regional Commission (ARC) Grants Fund, (\$8,254); Drug Free Communities Fund, (\$20,683); Title X Family Planning Fund, (\$1,961); Sewage System Revenue Fund, (\$305,563); and Insurance Account 'B' Fund, (\$886,199).

We recommend the City Auditor monitor to ensure that money from one fund is not used to cover the expenses of another fund.

Officials' Response: The Auditor will monitor to ensure that one fund is not used to cover another and recommend an advance from another fund to cover funds that are negative to cover until funding is received such as grant funds awaiting disbursements.

FINDING NUMBER 2012-003

Noncompliance

Ohio Rev. Code Section 5705.36(A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations were greater than actual resources at December 31, 2012 in the following funds:

Fund:	Actual Resources	Appropriation Authority	Variance
General Fund	\$10,825,670	\$11,733,195	(\$907,525)
Capital Improvement Fund	\$2,807,062	\$2,955,080	(\$148,018)
State Highway Fund	\$60,018	\$90,739	(\$30,721)

Since the expenditure of City funds is based on the estimated resources, instances when beginning fund balances plus actual receipts do not meet budgetary estimates have led to overspending as evidenced by negative funds balances as noted in Finding Number 2012-002.

We recommend the City Auditor monitor estimated and actual receipts. If it becomes apparent the City is not going to receive the amount of estimated resources, the City Auditor should obtain a reduced amended certificate from the County Budget Commission. We further recommend the City Council make corresponding reductions in appropriations.

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

FINDING NUMBER 2012-003 (Continued)

Officials' Response: The Auditor will recommend that appropriations not exceed actual resources and obtain an amended certificate of resources if resources are seen to be significantly different than projected.

FINDING NUMBER 2012-004

Noncompliance

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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.

Appropriations were greater than estimated resources at December 31, 2012 in the following funds:

Fund:	Estimated Resources	Appropriation Authority	Variance
General Fund	\$10,840,006	\$11,733,195	(\$893,189)
Capital Improvement Fund	\$2,728,528	\$2,955,080	(\$226,552)
State Highway Fund	\$61,251	\$90,739	(\$29,488)

We recommend the City Council only adopt appropriations that do not exceed estimated resources.

Officials' Response: The Auditor will again recommend that appropriations not exceed estimated resources.

FINDING NUMBER 2012-005

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-005 (Continued)

Noncompliance - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 City.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The City Auditor did not certify the availability of funds prior to making commitments for 39% of the disbursements tested for 2012, and there was no evidence that the City followed the aforementioned exceptions. We also noted that it is the practice of the City not to issue a purchase order for monthly utility bills. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the City Auditor certify that the funds are or will be available prior to an obligation being incurred by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City obtain the City Auditor's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The City Auditor should sign the certification at the time the City incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The City Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. We recommend that the City issue purchase orders for utility payments.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-005 (Continued)

Officials' Response: The Auditor will require that all departments obtain approval from the Mayor and City Auditor prior to making expenditures.

FINDING NUMBER 2012-006

Noncompliance and Significant Deficiency

OMB Circular A-133 Section .300(d) states that the auditee shall prepare appropriate financial statements, including the Federal Awards Expenditures Schedule (the Schedule) in accordance with Section .310. OMB Circular A-133 Section .310(b) states that the auditee shall prepared a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the Schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award of by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the Schedule.
- (5) To the extent practical, pass-through entities should identify in the Schedule the total number provided to subrecipients from each Federal program.
- (6) Include, in either the Schedule or a note to the Schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

During 2012, the City received and spent federal grant monies relating to 18 federal programs. The following discrepancies existed in the 2012 City-prepared federal schedule:

- Federal expenditures on the City-prepared federal schedule only contained 13 federal programs, where the final adjusted Schedule had 18.
- The City-prepared federal schedule total expenditure amount was understated by \$277,916.
- Grant names needed revisions, and several pass through numbers were incorrect.
- We also noted some federal grants were being comingled by the City in the same fund, which made it cumbersome to determine the proper amount of federal expenditures for each program.
- Due to the comingling of funds in the City Health Department, grants had to be tracked separately in their own spreadsheets by City Health Department personnel. However, when we tried to reconcile the spreadsheets to the City's records, the documents did not agree.
- The City backdated checks in fiscal year 2011 and fiscal year 2012 which affected federal expenditures. The total net amount of backdated checks was not material; however, this type of activity could create inaccurate reporting of federal expenditures.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-006 (Continued)

Noncompliance and Significant Deficiency - OMB Circular A-133 Section .300(d) (Continued)

Errors in the Federal Award Expenditures Schedule resulted in inaccurate reporting of the federal awards under OMB A-133 requiring audit adjustments to the Schedule.

We recommend the City ensure proper reporting of federal expenditures, which includes reporting the proper amounts of expenditures; correct federal awarding agencies; correct pass-through entity names and numbers (where applicable); and the Catalog of Federal Domestic Assistance (CFDA) numbers. Additionally, source documentation should be maintained to support the City's schedule. We further recommend the City not commingle federal grants in their accounting system. Each federal program should be accounted for separately and must be able to be traced back to City accounting records. Lastly, we recommend the City not backdate checks related to federal funds.

Officials' Response: The Auditor will require departments receiving grants to provide the Auditor with corresponding CFDA numbers and set up funds necessary to separate grant funds.

FINDING NUMBER 2012-007

Material Weakness

The City maintains Insurance Account "B" Fund that is utilized to track the accumulation and payment of health, dental, vision, and life insurance premiums. The City transfers premiums for the covered employees into this fund from the respective funds where the employees are paid. The premiums are then disbursed from this fund to the insurance providers. This fund is also used to pay claims related to the City's self insurance health plan that provides additional reinsurance coverage above that provided by the traditional health insurance provided by United Healthcare. The self insurance is administered by a third party administrator, Avalon Benefit Services. Avalon processes the claims and submits a list of the approved claims to the City for payment. The City transfers the appropriate amount from its main bank account into its health claims bank account. Avalon then writes the checks to pay for the approved claims. The City then posts these disbursements made by Avalon to the Insurance Account "B" Fund. However, the City does not transfer any monies into the Insurance Account "B" Fund or bill other funds to recover the costs of the self insurance claims from the benefitting employees' funds. This resulted in the Insurance Account "B" Fund having a deficit cash balance of \$886,199 at December 31, 2012. In addition, the City has reported claims payable at December 31, 2012 that has not been funded into the Insurance Account "B" Fund for payment and there may be other unknown liabilities for unreported claims outstanding as of December 31, 2012 as well.

We recommend the City transfer funds into the Insurance Account "B" Fund to support the amount of the claims disbursements. The City should determine the funds from which the employees, to whom the claims relate, are paid and transfer the appropriate amounts from those funds into the Insurance Account "B" Fund.

Officials' Response: The Auditor has already met with the Mayor and staff to prepare a plan to identify appropriate funds to allocate back the proper health insurance expenses and to bring the insurance fund back into balance. The Auditor has also recommended that the budget be prepared going forward to reflect this allocation with amounts in each department sufficient to maintain a balance in the health insurance fund.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-008

Material Weakness

While the City has a capital assets policy, the policy was not updated to comply with the requirements of GASB Statement No. 34 for the reporting of capital assets. The capital assets policy should include, but not be limited to, the following: capitalization threshold, categories or classes of assets, method of cost determination, method of depreciation, useful lives and methods of acquisition. Further, the policy should establish procedures relating to the recording of infrastructure including the following items: determination of values / method of capitalization, useful lives, items to be included in infrastructure for both Governmental Activities and Business-Type Activities, condition by each type of asset, and documentation to indicate at what point an asset has had an improvement that increases its efficiency to the point the old asset value needs removed and the new value recorded (such as total repaving and not just patching of a street).

A review of the City's current capital asset policy in comparison to the City's recorded capital assets revealed the following:

- The current policy was revised several years ago to increase the capital asset threshold to \$5,000. However, the policy does not state whether this threshold applies to infrastructure.
- The current policy states, in part, that infrastructure fixed assets will not be reported for roads, bridges, curbs, gutters, streets, sidewalks, storm sewers and similar assets of value only to the City. The policy currently also states that proprietary infrastructure including all water and wastewater lines and appurtenances are to be included. However, in accordance with GASB Statement No. 34, the City properly included streets (including land and site preparation; pavement including the base course, intermediate course and surface course; and curbing and sidewalks directly related to the streets), curbing and sidewalks (related to parks).
- The current policy includes the classification of Improvements Other Than Buildings which is to include improvements such as park facilities, parking lots, baseball fields, tennis courts, swimming pools and infrastructure associated with City owned assets (water and sanitary sewer systems). However, Improvements Other Than Buildings is being reported on the City's financial statements under Business-Type Activities which only includes water and sanitary sewer lines and systems.
- Useful lives are indicated in the policy; however, the policy does not include the useful lives for Governmental Activities' infrastructure.
- The current policy states that depreciation will not be taken on general fixed assets. However, the City recorded depreciation expense for all Governmental Activities' capital assets with the exception of land.
- The current policy does not include a process for identifying unrecorded items such as reviewing the City Council's minute record, the City's detailed expense reports, etc.
- The City included leased vehicles in capital assets as additions in the first year of a capital lease. The current policy does not address leased vehicles.

The City is in direct conflict with their written policy in that Governmental Activities infrastructure along with Governmental Activities depreciation expense are reported on the financial statements while the policy indicates that it will not be included.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-008 (Continued)

Material Weakness (Continued)

The City should ensure the capital assets policy is updated to comply with the requirements of GASB Statement No. 34 for the reporting of capital assets to prevent material misstatement of the City's financial statements.

We recommend the following regarding the City's Capital Assets Policy:

- The Capital Assets Policy should be revised to include the threshold for infrastructure. The policy should be reviewed to determine whether different thresholds are desired for infrastructure.
- The Capital Assets Policy should be revised to include the classification of infrastructure for both Governmental Activities and Business-Type Activities. The policy should include what assets are to be classified as infrastructure such as: streets (including land and site preparation; pavement including the base course, intermediate course and surface course; and curbing and sidewalks directly related to the streets), curbing and sidewalks (related to parks), bridges, culverts, cat basins, street lighting systems, floodwall and any other items the City determines are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.
- The Capital Assets Policy should be revised for the classification of Improvements Other Than Buildings to include only those assets that the City has reported under Business-Type Activities on the financial statements.
- The Capital Assets Policy should be reviewed to include the useful lives of all classes of assets being capitalized. Infrastructure should be reviewed their capital assets' consultant to determine the useful lives to be used for infrastructure.
- The Capital Assets Policy should be revised for depreciation to include that all capital assets, with exception of land and construction in progress will be depreciated. Calculation of depreciation for infrastructure should be reviewed with their capital assets' consultant and included in the policy.
- The Capital Assets Policy should include a method to identify unrecorded capital asset additions and deletions. Methods could include departmental reviews, reviewing City Council's minute record, auction results and expenditure listings.
- A detailed review should be performed to ensure that assets are being recorded on the financial statements according to the policy and/or that the policy agrees to how assets are being reported.
- The Capital Assets Policy should be revised to include leased vehicles and equipment being recorded as additions in the first year of a capital lease.

Officials' Response: The Auditor will update its capital assets policy so that it is in line with currently practiced procedures.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012-009
CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number / Year	A-F-10-2DH-1 and A-C-10-2DH-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness – Cash Management

24 C.F.R. Section 85.21(c) and Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership's Financial Management Rules and Regulations Handbook, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt. Lump sum draw downs are not permitted. The State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(l), states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than \$100 per year. The check must be payable to the U.S. Department of Housing and Urban Development. In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation of private property.

Out of the twelve draw downs received in 2012 for this program, four draw downs (Grant AC-10-2DH-1 draws of \$12,466 and \$13,225 and Grant AF-10-2DH-1 draws of \$10,900 and \$69,100) were not disbursed to a balance of less than \$5,000 within fifteen days of receipt. This is 33% of the total received that was not properly paid out. We were not able to compute the amount of imputed interest that may have been earned by the State of Ohio due to the nature of the cash management records maintained by the City.

We recommend the City develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. This will help ensure that the monies drawn down are expended within the required time frame. We further recommend documentation supporting draw down requests be maintained by Community Development.

Officials' Response: The City of Portsmouth acknowledges the need to disperse state and federal funding in excess of \$5,000 within 15 days of receipt. A monetary ledger is now in place within the Community Development Department assuring each draw and expenditure is more easily tracked and dated.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-010
CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number / Year	A-C-10-2DH-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance, Material Weakness and Questioned Cost – Period of Availability

2012 OMB Circular A-133 Compliance Supplement, Part 3, provides guidance stating federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

The Community Housing Improvement Program Grant Agreement for A-C-10-2DH-1 states that grant period ended for this grant on December 31, 2012. Part 4 of the grant agreement states expenses to be reimbursed should not occur outside of the grant period. Also, attachment B of the grant agreement states that all projects are to be completed by October 31, 2012 and the final performance report should be submitted by December 31, 2012, which should report all expenditures.

We noted during testing expenditures for the A-C-10-2DH-1 that were made after the available period and the obligation date. They were as follows:

- Check 1346, dated February 1, 2013, to Iona Construction for \$10,800. There was no date on the invoice provided.
- Check 1351, dated June 19, 2013, to CDC of Ohio for \$8,728. The invoice was dated February 7, 2012; however, the expenditure was made after December 31, 2012.

Without any type of date provided on one invoice, one cannot determine when work was completed, and, since the both payments were made after the end of the grant period, we feel these expenditures were made out of the available period, thus, we consider the \$19,528 a questioned cost.

We recommend the City monitor expenditures to ensure that all payments are made in a timely fashion and within the available period of the grant.

Officials' Response: The City of Portsmouth is addressing the concerns regarding period of availability internally (within the City Finance Department) and externally with the current consultant. Unfortunately, the City relies on CDC of Ohio, Inc. to administer each grant within the grant agreement and is aware of their failure to do so. The City is now overseeing their current grant administration more critically which may result in failure of future contract renewal or contract termination.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-011
CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number / Year	A-F-09-167-1, A-F-10-2DH-1 and A-C-10-2DH-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness – Procurement and Suspension and Debarment

2 C.F.R. Part 180 guidance provides government-wide requirements for nonprocurement suspension and debarment, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 C.F.R. Section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 C.F.R. Section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<https://www.sam.gov/portal/public/SAM/>).

While the CDC of Ohio searched the Excluded Parties List System for some contracts, we noted no evidence that the City had searched the Excluded Parties List System for some of its other contracts associated with the Community Development Block Grant.

We recommend that the City search the Excluded Parties List System before granting any contract for a covered transaction as defined above. We further recommend the City maintain support of the search.

Officials' Response: The City of Portsmouth is aware and currently searching the Excluded Parties List System prior to all contract agreements overseen by the Community Development Department.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-012
CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number / Year	A-F-09-167-1, A-F-10-2DH-1 and A-C-10-2DH-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness – Special Tests and Provisions

24 C.F.R Sections 91.115 and 570.486 require, prior to the submission to United States Department of Housing and Urban Development (HUD) for its annual grant, the grantee must certify to HUD that it has met the citizen participation requirements.

The City could not provide a copy of their Citizen Participation Plan. Thus, we could not test if the City did comply with its own plan.

We recommend that the City develop and implement a citizen participation plan. We also recommend that documentation be maintained to support any citizen meetings.

Officials' Response: The City of Portsmouth developed an updated Citizen Participation Plan in 2013. Citizen participation regarding use of all federal and state funding is encouraged and advertised as specified in the grant guidelines.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-013
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness – Cash Management

24 C.F.R. Section 85.21(c) and Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership’s Financial Management Rules and Regulations Handbook, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt. Lump sum draw downs are not permitted. The State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(l), states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than \$100 per year. The check must be payable to the U.S. Department of Housing and Urban Development. In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation of private property.

During testing, the City was not able to provide clear documentation of monies received for the Home Investment Partnership Program were spent within the required fifteen day limit. Without this documentation, we had to attempt to line up draws with matching expenditures from the revenue and expenditure support maintained in the City Auditor’s office. Once this was done, the following was identified:

For Administration expenses, we noted the following instances where monies were not expended as required:

- On draw #56, \$9,750 was drawn down and receipted by the City on February 13, 2012. However, it was not paid out until March 8, 2012. Thus, not meeting the fifteen day limit.
- On draw #60, \$9,750 was drawn down and receipted by the City on June 29, 2012. However, it was not paid out until July 25, 2012. Thus, not meeting the fifteen day limit.

For Project Related expenses, we noted the following instances where monies were not expended as required:

- 1818 High Street - This project had monies drawn and received in September 2011 (\$38,669). However, this project was never a project to be done under the program and thus, the draw was then shown as a negative receipt on draw #57 done in April 2012. The negative receipt was then charged against two other existing projects so that the monies received in 2011 were used on these projects in 2012. Thus, this money was not spent within the allowable fifteen day limit.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-013 (Continued)
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness – Cash Management (Continued)

- 2130 Ninth Street - This project had monies drawn and received in September 2011 (\$28,669). However, this project was never a project to be done under the program and thus, the draw was then shown as a negative receipt on draw #64 done in November 2012. The negative receipt was then charged against two other existing projects so that the monies received in 2011 were used on these projects in 2012. Thus, this money was not spent within the allowable fifteen day limit.
- 1929 18th Street - This project (\$26,369) was included on draw #64 as a project that was charged against the negative receipt stated above for 2130 9th Street Project as an offset. So, the expenditures that occurred for this project, dated September 14, 2012 & December 31, 2012, were actually expenditures of funds that were received in 2011. Thus, this money was not spent within the allowable fifteen day limit.
- 1422 McConnell Avenue - This project (\$35,005) was included on draw #57 as a project that was charged against the negative receipt stated above for 1818 High Street Project as an offset. So, the expenditures that occurred for this project, dates ranging from April 13, 2012 through August 27, 2012, were actually expenditures of funds that were received in 2011. Thus, this money was not spent within the allowable fifteen day limit.
- 1326 Lincoln Street - This project's funds were received on October 8, 2012 (\$29,575) and November 7, 2012 (\$600). The first expenditure, incurred on October 5, 2012 for \$14,525, was made in the 15 day limit. The remaining expenditures, dated November 19, 2012, November 28, 2012 and December 31, 2012, were all made after the fifteen day limit. Thus, the remaining \$15,650 was not spent within the allowable fifteen day limit.
- 1411 17th Street - This project's funds were received on October 8, 2012 (\$38,186). The expenditures relating to this were dated October 29, 2012, November 19, 2012, November 28, 2012 and December 31, 2012, which made all of them outside the fifteen day limit. Thus, this money was not spent within the allowable fifteen day limit.
- 1414 McConnell Avenue - This project's funds were partly received through a draw and partly charged to the 2130 9th Street projects mentioned above. The draw of \$24,286 was received on November 7, 2012. Then, \$2,300 was charged against the 2130 9th Street project on draw #64. The first expenditure, incurred on November 19, 2012 for \$4,500, was made in the 15 day limit. The remaining expenditures, dated December 31, 2012 and February 2, 2013, were all made after the fifteen day limit. Thus, the remaining \$22,086 was not spent within the allowable fifteen day limit.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-013 (Continued)
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness – Cash Management (Continued)

Due to the nature of the cash management records maintained by the City, we were not able to compute the amount of imputed interest that may have been earned by the State of Ohio. However, we are certain there would have been imputed interest owed back to the State, but the amount could not be accurately estimated.

We recommend the City develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. This will help ensure that the monies drawn down are expended within the required time frame. We further recommend documentation supporting draw down requests be maintained by Community Development.

Officials' Response: The City of Portsmouth acknowledges the need to disperse state and federal funding in excess of \$5,000 within 15 days of receipt. A monetary ledger is now in place within the Community Development Department assuring each draw and expenditure is more easily tracked and dated.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-014
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance, Material Weakness and Questioned Cost – Period of Availability

2012 OMB Circular A-133 Compliance Supplement, Part 3, provides guidance stating federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

The Community Housing Improvement Program Grant Agreement for A-C-10-2DH-2 states that grant period ended for this grant on December 31, 2012. Part 4 of the grant agreement states expenses to be reimbursed should not occur outside of the grant period. Also, attachment B of the grant agreement states that all projects are to be completed by October 31, 2012, and the final performance report should be submitted by December 31, 2012, which should report all expenditures.

During testing, we noted expenditures for the A-C-10-2DH-2 that were made after the available period and the obligation date. They were as follows:

- Check 1345, dated February 1, 2013, to Iona Construction for \$8,400. There was no date on the invoice provided.
- Check 1349, dated June 6, 2013, to Iona Construction for \$6,500. There was no date on the invoice provided.

Without any type of date provided on the invoices, it is not possible determine when work was completed, and, since the both payments were made after the end of the grant period, we feel these expenditures were made out of the available period, thus, we will consider the \$14,900 a questioned cost.

We recommend the City monitor expenditures to ensure that all payments are made in a timely fashion and within the available period of the grant.

Officials’ Response: The City of Portsmouth is addressing the concerns regarding period of availability internally (within the City Finance Department) and externally with the current consultant. Unfortunately, the City relies on CDC of Ohio, Inc. to administer each grant within the grant agreement and is aware of their failure to do so. The City is now overseeing their current grant administration more critically which may result in failure of future contract renewal or contract termination.

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-015
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance – Reporting

The OHCP Financial Management Rules and Regulations handbook requires Community Development Block Grant Program funds to be reported to the State of Ohio, Department of Development (ODOD). This handbook, along with attachment C of the agreements, outlines the three reports required for reporting purposes. They were the Form DS5 - Request for Payment and Status of Funds Report; Status Report (done every six months); and Final Performance Report.

During testing, we noted all "Requests for Payment and Status of Funds Reports" were properly completed and filed. However, we did note only one semi-annual "Status Report" filed and dated in 2012. There was another semi-annual Status Report provided, but it was not dated and thus, we could not determine when it was filed. We also noted the Final Performance Report for this grant was not filed in a timely fashion. This report should have been submitted by December 31, 2012, but was not filed at the time of the testing in June 2013. The lack of filing reports and or filing in a timely fashion could create difficulty for the oversight agency to properly monitor the activity of the program.

We recommend the Community Development Director complete all required reports and file them in a timely fashion.

Officials' Response: The City of Portsmouth is aware of the incomplete Final Performance Report for the A-C-10-2DH-2 which was administered by CDC of Ohio, Inc. Unfortunately, the City has relied on them to administer this grant with the utmost professionalism which they have obviously failed to do. The Community Development Department will complete all required reports and file them in a timely manner.

**CITY OF PORTSMOUTH
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-016
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Material Weakness – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The City has a Community Development Director in place to administer both the Community Development Block Grant and the Home Investment Partnership Programs. The Community Development Director is responsible for monitoring all projects undertaken with these grants and is responsible for approving all expenditures relating to them. However, it was noted during testing that 3 out of 10 expenditures tested (30%) were not approved by the Community Development Director. Without this approval, the City did not have a qualified individual approving the expenditure and this could have led to improper use of federal funds.

We recommend the City ensure that all expenditures related to this program are approved by the appropriate personnel.

Officials' Response: It is the policy of the Community Development Department that all payments (purchase orders) be signed by the Director.

Finding Number	2012-017
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Significant Deficiency – Eligibility

The City contracted with a company, CDC of Ohio, to help administer their Home Investment Partnership Program. In doing this, they relied on the company to ensure compliance with certain aspects of the grant agreement. One area where CDC of Ohio ensured compliance was the homeowner's income eligibility determination for the program. The CDC of Ohio consultant made a file for every project and included in that file was their determination concerning if a homeowner met the income eligibility requirements for assistance. However, the City did not have any controls in place to monitor those determinations and ensure they were correct. The City did not review these determinations in any manner to ensure they were correct. Another area where the CDC of Ohio was ensuring compliance was determining that all applicants did not receive assistance that exceeded the FHA mortgage limits. Again, this was not being monitored or reviewed by the City in any capacity. Without proper monitoring by the City, they could not be certain they were in compliance with all federal regulations.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-017 (Continued)
CFDA Title and Number	Home Investment Partnerships Program, CFDA #14.239
Federal Award Number / Year	A-C-10-2DH-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Significant Deficiency (Continued)

We recommend the City's Community Development Director review and approve all individual's applying for assistance in relation to this program. We further recommend he or she ensure that assistance given to individuals do not exceed the allowable amounts.

Officials' Response: It is the policy of the Community Development Department to oversee and initial all eligible CHIP/HOME applications to ensure eligibility.

Finding Number	2012-018
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance, Material Weakness and Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

2 C.F.R. Part 225 outlines the allowable costs/activities for local governments. Included in these requirements are the following basic guidelines affecting allowability of costs (direct and indirect) as identified in A-87, Appendix A, paragraph C.

1. To be allowable under Federal awards, costs must meet the following general criteria (A-87, Appendix A, paragraph C.1):
 - (a) Be necessary and reasonable for the performance and administration of Federal awards.
 - (b) Be allocable to Federal awards under the provisions of A-87.
 - (c) Be authorized or not prohibited under State or local laws or regulations.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-018 (Continued)
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance, Material Weakness and Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)

- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits.
- (j) Be adequately documented.

In addition to this, the Ohio Department of Health, Grants Administration Policy and Procedures Manual (GAPP), states that program funds may be used to compensate employees (including fringe benefits) for the time and effort devoted specifically to the execution of grant programs.

During testing it was noted that the City charged personnel costs to the HIV Prevention Activities Grant. There were six employees charged to the grant; however, only one of those employee's wages were fully charged to the HIV Prevention Activities Grant. The other employees only had a portion of their payroll charged to this grant and other portions charged to other grants. We have included a table below showing a breakdown of each employee and the wages charged to the HIV Prevention Activities Grant. When this is the case, the employees are required to maintain time and effort documentation supporting the amount of time spent working on the grant. However, it was noted during testing that proper documentation of time spent working on the grant was not maintained. Due to this, we will consider the following wages questioned costs:

**CITY OF PORTSMOUTH
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-018 (Continued)
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance, Material Weakness and Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)

Position	Gross Wage	Portion Paid from HIV Prevention Grant	% Paid from HIV Prevention Grant
Rural AIDS/Community Grants Coordinator	\$51,844	\$46,659	90%
HIV/STD DIS Supervisor	\$44,006	\$26,404	60%
Special Projects Officer	\$40,369	\$34,314	85%
Billing Clerk	\$21,825	\$1,121	5%
Health Commissioner	\$56,669	\$4,217	7%
	\$214,713	\$112,715	

In addition to the totals above, there were related fringe benefits paid to these employees in the amount of \$74,728. These, too, will be considered questioned costs for a total of \$187,443 (\$112,715 + \$74,728) in questioned costs.

We recommend the City Health Department begin maintained proper time and effort documentation for all wages and fringe benefits charged to the HIV Prevention Activities Grant.

Officials' Response: The Portsmouth City Health Department HIV Prevention and STD Prevention staff, as of Monday, August 19, 2013, implemented time and activity daily documentation logs. These daily documentation logs will be maintained for a month to assure accurate accountability of time spent. Following the month daily documentation, coded weekly time and activity reporting will be instituted. Also, any employee paid 100% from the HIV Prevention and/or STD Prevention grants will sign a form stating as such.

**CITY OF PORTSMOUTH
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-019
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance, Material Weakness and Questioned Cost – Period of Availability

2012 OMB Circular A-133 Compliance Supplement, Part 3, provides guidance stating federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

The 2003 ODH Grants Administration Policy and Procedures Manual states that an obligation occurs when funds are encumbered on a valid purchase order or requisition to cover the cost of purchasing an authorized item on or after the start date and up to the last day of the program period. Any funds not properly obligated by the subgrantee within the program period will lapse and revert back to ODH. Obligations listed on the interim report (i.e., fourth quarter expenditure report) must be liquidated within forty-five (45) calendar days after the end of the program period. The closeout and liquidation deadlines may be extended by ODH, with a written request via GMIS. The request must be received 30 days prior to the designated deadline. The program period ended December 31, 2012 for the HIV Prevention Activities Grant.

During testing, we noted expenditures that were made after the available period and were not liquidated within the required forty-five days. They were as follows:

- Check 95346, dated March 8, 2013, to Lamar Advertising of Huntington for \$14,740. The date on the requisition was January 11, 2013. The date on the invoice was January 3, 2013. Based on this information, we do not feel this money was obligated by December 31, 2012. Also, the expenditure was not liquated within 45 days as required. Based on this, we consider the \$14,740 a questioned cost.
- Check 95347, dated March 8, 2013, to Night Sweat and T-Cells for \$5,910. This expenditure was obligated by December 31, 2012; however it was not liquidated within the required 45 days. Due to the fact the obligation was incurred by December 31, 2012, we will not consider this amount a questioned cost, but we do feel this is not in compliance with the required liquidation period.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-019 (Continued)
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance, Material Weakness and Questioned Cost – Period of Availability (Continued)

We recommend the City monitor expenditures to ensure that all payments are made in a timely fashion and within the available period of the grant.

Officials’ Response: The Rural AIDS/Community Grants Coordinator along with the Rural Special Projects Officer will monitor and work with the City Auditor’s Office to ensure all payments are made in a timely fashion and all grant expenditures are liquidated within the 45 day requirement.

Finding Number	2012-020
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance and Material Weakness – Reporting

2003 ODH Grants Administration Policy and Procedures Manual (GAPP) states the following concerning reporting requirements of local governments to the Ohio Department of Health (ODH):

Subgrantees are required to submit program performance reports and financial status reports for each grant. The reports must adhere to the ODH, GAPP manual as outlined in Section 300. Reports must be received before the Department will release any additional funds. Submit reports as follows.

1. Program Reports (Also see ODH GAPP Manual, Section 303.0): All program reports must clearly identify the authorized program name and grant program number. The original and one copy must be submitted to the ODH, Grants Administration, Central Master Files (or via GMIS upon ODH full implementation of the program reporting module.) The performance reports are to be submitted as indicated in the RFP and NOA. The report should identify programmatic activities accomplished in the format required by the program.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-020 (Continued)
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance and Material Weakness - Reporting (Continued)

2. Financial Reports (Also see ODH GAPP Manual, Section 304.0): Subgrantee Program Expenditure Reports must be completed, reporting funds received, disbursed or obligated and submitted via the Internet within 15 calendar days following the end of the reporting period. Due dates can be found in the RFP, Application Guidance section. The report must correspond with the subgrantee’s accounting records and supporting documentation. The expenditures and revenues must be on the same accounting basis (i.e., cash or accrual) as the agency’s accounting system. A change in the accounting basis must be approved by ODH.
3. Final Expense Reports (Also see ODH GAPP Manual, Section 304.0 and Chapter 400): Subgrantee Final Expense Reports reflecting total expenditures for the program period must be completed and submitted via the Internet within 45 days after the end of the grant year. The information contained in this report must reflect the program accounting records and supporting documentation. Any cash balances must be returned to ODH with the Final Expense Report. See Chapter 400.
4. Inventory Report (Also see ODH GAPP Manual, Section 300.1, 304.0, and 400.6): A listing of all equipment purchased in whole or in part with current grant funds (Equipment Section of the approved budget) must be sent to ODH via the Internet as part of the Subgrantee Final Expense Report. At least once every two years, inventory must be physically inspected by the subgrantee. Equipment purchased with ODH grant funds must be tagged as property of ODH for inventory control. Such equipment may be required to be returned to ODH at the end of the grant program period. See Chapter 300 for details regarding equipment.

We noted during testing that the City Health Department did file the all necessary reports. However, when testing the accuracy of the final expenditure report, we noted the amounts reported to the Ohio Department of Health did not agree to the accounting records. The City Health Department kept a separate record of expenditures (via Excel spreadsheet) and this record, which was used to support the final expenditure report, was not reconciled to the City's accounting system. Since the amounts were not reconciled, this resulted in the amount reported on the final expenditure report varying from the accounting records as follows:

- Personnel costs on the final expenditure report were \$254,370; however, the amount on the City's accounting records was \$237,619, for a difference of \$16,751.
- Other direct costs on the final expenditure report were \$69,965; however, the amount on the City's accounting records was \$60,882, for a difference of \$9,083.
- Liquidated Obligation-other direct costs on the final expenditure report was \$25,820; however, the amount on the City's accounting records was \$24,673, for a difference of \$1,147.

**CITY OF PORTSMOUTH
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-020 (Continued)
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance and Material Weakness - Reporting (Continued)

We recommend the City Health Department ensure their records reconcile to the City's accounting system on a regular basis. Furthermore, we recommend the final expenditure report submitted to the Ohio Department of Health agree to the City's accounting system as well as the City Health Department's records.

Officials' Response: The Rural Special Projects Officer reconciled monthly with the City's accounting system. The final expenditure reconciliation is based upon the timely receipt of the City's accounting system final report for adjustments to be made, if necessary. The final expenditure report reconciliation will be completed once the City's final accounting report is received.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WARDS (Continued)

Finding Number	2012-021
CFDA Title and Number	HIV Prevention Activities – Health Department Based, CFDA #93.940
Federal Award Number / Year	73-200-12HP-0512
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance and Material Weakness – Procurement and Suspension and Debarment

2 C.F.R. Part 180 guidance provides government-wide requirements for nonprocurement suspension and debarment, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 C.F.R. Section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 C.F.R. Section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<https://www.sam.gov/portal/public/SAM/>).

There was no evidence that the City Health Department had searched the Excluded Parties List System (EPLS) for any of its contracts associated with the HIV Prevention Activities Grant.

We recommend the City Health Department search the Excluded Parties List System before granting any contract for covered transactions as defined above. We further recommend the City Health Department maintain support of the search.

Officials' Response: The Rural AIDS/Community Grants Coordinator and the Rural Special Projects Officer will search and review the EPLS list for any non-compliance issues before any sub-grant contracts are awarded. A copy of the annual search/review will be maintained and filed.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code Section 5705.10(H) – Cost Allocation Plan not properly used	No	Not Corrected; Reissued as Finding Number 2012-001
2011-002	Ohio Rev. Code Section 5705.39 – Appropriations exceed total estimated resources.	No	Not Corrected; Reissued as Finding Number 2012-004
2011-003	Ohio Rev. Code Section 5705.36(A)(4)- Appropriations exceeded actual resources.	No	Not Corrected; Reissued as Finding Number 2012-003
2011-004	Ohio Rev. Code Section 5705.10(H) – Negative fund balances.	No	Not Corrected; Reissued as Finding Number 2012-002
2011-005	Ohio Rev. Code Section 5705.41(D)(1)- Disbursements were not properly encumbered.	No	Not Corrected; Reissued as Finding Number 2012-005
2011-006	Material Weakness – the City did not transfer funds into the Insurance Acct B.	No	Not Corrected; Reissued as Finding Number 2012-007
2011-007	OMB Circular A-133 Section .300(d) – Federal schedule not properly prepared.	No	Not Corrected; Reissued as Finding Number 2012-006
2011-008	Noncompliance/Material Weakness – Cash management requirement regarding Fifteen Day Rule for Community Development Block Grant.	No	Not Corrected; Reissued as Finding Number 2012-009
2011-009	Noncompliance/Material Weakness – documentation was not provided for Davis Bacon Requirements.	Yes	

**CITY OF PORTSMOUTH
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**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-010	Noncompliance/Material Weakness – Reporting requirement for Community Development Block Grant	No	Partially Corrected; Reissued as a Management Letter comment
2011-011	Noncompliance/Material Weakness – Completion of Federal Audit within Time Restraints	Yes	

**CITY OF PORTSMOUTH
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**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	The City has contracted for preparation of a Cost Allocation Plan and is awaiting the results of the plan. This will be the second plan we have prepared in the past two years.	September 30, 2013	Mayor
2012-002	The Auditor will monitor to ensure that one fund is not used to cover another and recommend an advance from another fund to cover funds that are negative to cover until funding is received such as grant funds awaiting disbursement.	December 31, 2013	Auditor
2012-003	The Auditor will recommend that appropriations will not exceed actual resources and obtain an amended certificate of resources if resources are seen to be significantly different than projected.	December 31, 2013	Auditor
2012-004	The Auditor will again recommend that appropriations not exceed estimated resources.	December 31, 2013	Auditor
2012-005	The Auditor will require that all departments obtain approval from the Mayor and City Auditor prior to making expenditures.	December 31, 2013	Auditor
2012-006	The Auditor will required departments receiving grants to provide the Auditor with corresponding CFDA numbers and set up funds necessary to separate grant funds.	December 31, 2013	Auditor
2012-007	The Auditor has already met with the Mayor and staff to prepare a plan to identify appropriate funds to allocate back the proper health insurance expenses and to bring the insurance fund back into balance. The Auditor has also recommended that the budget be prepared going forward to reflect this allocation of amounts in each department sufficient to maintain a balance in the health insurance fund.	December 31, 2013	Auditor
2012-008	The Auditor will update its capital assets policy so that it is in line with currently practiced procedures.	December 31, 2013	Auditor
2012-009	The City of Portsmouth acknowledges the need to disperse state and federal funding in excess of \$5,000 within 15 days of receipt. A monetary ledger is now in place within the Community Development Department assuring each draw and expenditure is more easily tracked and dated.	December 31, 2013	Mayor

**CITY OF PORTSMOUTH
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**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-010	The City of Portsmouth is addressing the concerns regarding period of availability internally (within the City Finance Department) and externally with the current consultant. Unfortunately, the City relies on CDC of Ohio, Inc. to administer each grant within the grant agreement and is aware of their failure to do so. The City is now overseeing their current grant administration more critically which may result in failure of future contract renewal or contract termination.	December 31, 2013	Mayor
2012-011	The City of Portsmouth is aware and currently searching the Excluded Parties List System prior to all contract agreements overseen by the Community Development Department.	December 31, 2013	Mayor
2012-012	The City of Portsmouth developed an updated Citizen Participation Plan in 2013. Citizen participation regarding us of all federal and state funding is encouraged and advertised as specified in the grant guidelines.	December 31, 2013	Mayor
2012-013	The City of Portsmouth acknowledges the need to disperse state and federal funding in excess of \$5,000 within 15 days of receipt. A monetary ledger is now in place within the Community Development Department assuring each draw and expenditure is more easily tracked and dated.	December 31, 2013	Mayor
2012-014	The City of Portsmouth is addressing the concerns regarding period of availability internally (within the City Finance Department) and externally with the current consultant. Unfortunately, the City relies on CDC of Ohio, Inc. to administer each grant within the grant agreement and is aware of their failure to do so. The City is now overseeing their current grant administration more critically which may result in failure of future contract renewal or contract termination.	December 31, 2013	Mayor
2012-015	The City of Portsmouth is aware of the incomplete Final Performance Report for the A-C-10-2DH-2 which was administered by CDC of Ohio, Inc. Unfortunately, the City has relied on them to administer this grant with the utmost professionalism which they have obviously failed to do. The Community Development Department will complete all required reports and file them in a timely manner.	December 31, 2013	Mayor

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-016	It is the policy of the Community Development Department that all payments (purchase orders) be signed by the Director.	December 31, 2013	Mayor
2012-017	It is the policy of the Community Development Department to oversee and initial all eligible CHIP/HOME applications to ensure eligibility.	December 31, 2013	Mayor
2012-018	The Portsmouth City Health Department HIV Prevention and STD Prevention staff, as of Monday, August 19, 2013, implemented time and activity daily documentation logs. These daily documentation logs will be maintained for a month to assure accurate accountability of time spent. Following the month daily documentation, coded weekly time and activity reporting will be instituted. Also, any employee paid 100% from the HIV Prevention and/or STD Prevention grants will sign a form stating as such.	December 31, 2013	Health Commissioner
2012-019	The Rural AIDS/Community Grants Coordinator along with the Rural Special Projects Officer will monitor and work with the City Auditor's Office to ensure all payments are made in a timely fashion and all grant expenditures are liquidated within the 45 day requirement.	December 31, 2013	Health Commissioner
2012-020	The Rural Special Projects Officer reconciled monthly with the City's accounting system. The final expenditure reconciliation is based upon the timely receipt of the City's accounting system final report for adjustments to be made, if necessary. The final expenditure report reconciliation will be completed once the City's final accounting report is received.	December 31, 2013	Health Commissioner
2012-021	The Rural AIDS/Community Grants Coordinator and the Rural Special Projects Officer will search and review the EPLS list for any non-compliance issues before any sub-grant contracts are awarded. A copy of the annual search/review will be maintained and filed.	December 31, 2013	Health Commissioner