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MANAGEMENT LETTER

City of Cincinnati
Hamilton County
801 Plum Street
Cincinnati, Ohio 45202

To the Honorable Mayor and Members of 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 defined in our Independent Auditor's Report of the City of Cincinnati, Hamilton County, Ohio (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements and have issued our report thereon dated December 30, 2021.

Government Auditing Standards require us to communicate deficiencies in internal control, as well as, report on compliance with certain provisions of laws, regulations, contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated December 30, 2021, for the year ended June 30, 2021.

2 CFR Part 200 subpart F requires that we report all material (and certain immaterial) instances of noncompliance, significant deficiencies, and material weaknesses in internal control related to major federal financial assistance programs. We have issued the required report dated January 28, 2022, for the year ended June 30, 2021.

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

Noncompliance Findings

1. Board of Health Public Records Laws Training

Ohio Rev. Code §§ 109.43(B) and **149.43(E)(1)** require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

Noncompliance Findings (Continued)

The Cincinnati Board of Health members did not attend a required Certified Public Records Training or have an appropriate designee attend a training, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The Cincinnati Board of Health members, or their designee, should attend public records and maintain proof of completion of training.

2. Public Records Policy

Ohio Rev. Code § 149.43(E)(2) requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

The City Health Department, Building and Inspection Department, City Manager's Department, and Citizen Compliant Authority Department failed to obtain written acknowledgement from the records custodian/manager. Additionally, the Health Department did not create and display a public records poster in all public locations.

Each City department shall distribute its public records policy to the records custodian/manager and have a written acknowledgement of receipt from the records custodian/manager. In addition, a poster describing the public records policy must be conspicuously displayed in all of the City's branch offices. In September 2021 the City obtained written acknowledgement from the records custodians of the Building and Inspection Department, City Manager's Department, and Citizen Compliant Authority Department.

3. Negative Fund Balances

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Public Health Research Fund and Waterworks Improvement Fund had deficit fund balances of \$434,916 and \$2,484,112, respectively, at June 30, 2021. The Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure and control, such as City Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The City should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Noncompliance Findings (Continued)

4. Maintaining Supporting Documentation

Ohio Rev. Code § 149.351 requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§149.38 through 149.42.

The City Health Department did not maintain or provide underlying documentation and support for its public records requests for 2021. A log of public records requests should be maintained that includes the name of the requestor, the date requests were fulfilled, and the name of the person fulfilling the request.

Failure to maintain underlying documentation and support can increase the risk of fraud and result in a lack of transparency and accountability. The City Health Department should maintain all public records requests and review the public records requests sample log included in Appendix A of AOS Bulletin 2019-003.

5. Continuing Education Requirements

Ohio Rev. Code § 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, and ethics, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described, unless the treasurer annually provides a notice of exemption.

The City Treasurer did not attend the annual continuing education programs provided by the Auditor of State or complete the annual exemption to the Auditor of State's office in fiscal year 2021.

In order to maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the City Treasurer shall attend the annual training or complete an annual exemption and submit to the Auditor of State's office.

Recommendations

1. Budgetary Amounts not recorded in accounting system

Sound accounting practices require accurately posting estimated receipts to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the City and the receipts ledger provides the process by which the City controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The City did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

At June 30, 2021, the budgeted amounts for the General Fund, Public Health Research Fund, and Cincinnati Abatement Project Fund posted to the City's accounting ledgers varied from the Certificate of Estimated Resources certified by the County Budget Commission by \$18,700,000, \$681,030 and \$1,303,172, respectively.

Recommendations (Continued)

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts, the City should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission. The City should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the ledgers.

2. Park Board Comprehensive Budget

The City of Cincinnati initiated a contract with the accounting firm of Crowe Horwath LLP wherein the firm would provide financial analysis and advisory services relative to the Park Board, Parks Department and Parks Foundation. Crowe Horwath issued a July 26, 2016 report that included the following recommendations: the Park Board obtain a Memorandum of Understanding between the Board, City and Foundation; and the Park Board prepare a comprehensive budget of all sources of anticipated revenues and expenditures.

For 2021 the Park Board did not maintain a comprehensive budget of all sources of anticipated revenues and expenditures. The Park Board prepared, approved, and monitored a budget for the Park Board and the City of Cincinnati prepared a separate budget for certain Park activity accounted for in the City funds.

Failure to prepare a combined budget leaves the Park Board and City of Cincinnati without a complete picture of Cincinnati Park activity and could result in inefficiencies, increased costs, and lack of proper monitoring by the Park Board and Cincinnati City Council.

The Park Board, Parks Department and Parks Foundation should review and implement the recommendations in the July 26, 2016 Crowe Horwath report.

3. Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to deficiencies in the City's internal controls over financial reporting, the following conditions related to the City's financial statements were identified:

- Net Investment in Capital Assets totaling \$49,776,053 in the Governmental Activities was incorrectly posted to Unrestricted Net Position. The financial statements have not been adjusted for this error.
- Unrestricted Net Position totaling \$2,192,896 in the Business-Type Activities was incorrectly posted to Net Investment in Capital Assets. The financial statements have not been adjusted for this error.

**Recommendations
(Continued)**

- Transfers In totaling \$1,849,717 in the General Fund were incorrectly posted to Intergovernmental Revenue. The financial statements have not been adjusted for this error.
- Accounts Receivable and Deferred Inflows: Shared Service Payments were each overstated by \$556,000 in the Tax Increment Financing Fund. The financial statements have not been adjusted for this error.
- Net Accounts Receivable and Charges for Current Services were each understated by \$983,651 in the Water Works Fund. The financial statements have not been adjusted for this error.
- Deferred Outflows: OPEB (OP&F) was understated by \$1,530,000 while Deferred Inflows: OPEB (OP&F) and Pension Expense (OP&F) were overstated by \$1,843,000 and \$3,373,000, respectively, in the Governmental Activities. The financial statements have not been adjusted for this error.
- Final Budget Receipts was understated by \$18,700,000 in the General Fund in the Budgetary Comparison Schedule. The financial statements have not been adjusted for this error.
- Beginning Fund Balance was overstated by \$1,903,000 in the Health District Fund in the Budgetary Comparison Schedule. The financial statements have been adjusted for this error.

The City did not have procedures in place for effective monitoring of the City's financial activity, and the accuracy of accounting and financial reporting. Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and financial statement preparation. The City officials should update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

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



Keith Faber
Auditor of State
Columbus, Ohio
January 28, 2022