

# OHIO AUDITOR OF STATE KEITH FABER



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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, 2022, and the related notes to the financial statements and have issued our report thereon dated December 30, 2022.

*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, 2022, for the year ended June 30, 2022.

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 19, 2023, for the year ended June 30, 2022.

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. The comments reflect matters that do not require inclusion in the *Government Auditing Standards* or Single Audit reports. Nevertheless, the 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 the recommendations. The comments reflect our continuing desire to assist your City 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 the comments please contact your regional Auditor of State office.

### Noncompliance Findings

#### 1. Negative Fund Balance

**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 Lead Hazard Control Research Grant Fund had a deficit fund balance of \$585,936 at June 30, 2022. The negative fund balance 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 funds that may potentially develop a negative balance.

Advances or transfers should be made 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.

The Lead Hazard Control Research Grant Fund was negative because the grants are reimbursable, and the reimbursement wasn't received before the end of the fiscal year. To ensure compliance in 2023 and forward, the City will monitor the fund and make sure that reimbursements are in before the end of the fiscal year.

## 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's Department of Community and Economic Development and Department of Enterprise Technology Solutions failed to obtain written acknowledgement from the records custodian/manager. Failure to obtain written acknowledgement from the records custodian/manager could result in records requests not being fulfilled in accordance with Ohio law.

Each City department shall distribute its public records policy to the records custodian/manager and obtain written acknowledgement of receipt from the records custodian/manager.

In November 2022 the City obtained written acknowledgement from the records custodians of the Department of Enterprise Technology Solutions. The Department of Community and Economic Development submitted their form in January 2023. The City is developing a procedure to ensure that forms are updated annually as needed.

## 3. 2 CFR 200 - SEFA Reporting

**2 CFR Subpart F § 200.510(b)** requires the auditee to prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the City's financial statements which must include the total federal awards expended as determined in accordance with § 200.502.

At a minimum, the Schedule must:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

- (3) Provide total Federal awards expended for each individual Federal program and the AL number or other identifying number when the AL information is not available.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee has elected to use the 10 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

The City's Schedule omitted Assistance Listing 14.248 Community Development Block Grants Section 108 Loan Guarantees Federal Expenditures totaling \$17,562,607 and Contributions & Other Revenue (Non-Federal) totaling \$449,727.

Errors and omissions on the Schedule of Expenditures of Federal Awards (the Schedule) could adversely affect future grant awards in addition to causing an inaccurate assessment of major federal programs that would be subjected to audit. Adjustments, to which management has agreed, are reflected in the Schedule.

City management should implement a system to review the Schedule for errors and omissions. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

City Staff will add additional instructions and notes to supporting documentation and will investigate additional procedures and processes to prevent the occurrence of these errors in future reporting periods.

#### **4. 2 CFR 180 – Procurement, Suspension, Debarment**

**2 CFR 180.305** states that 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, unless the Federal agency responsible for the transaction grants an exception under 2 CFR § 180.135. "Covered transactions" include nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed \$25,000 or meet certain other specified criteria outlined in 2 CFR § 180.220s. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless listed in the exemptions in 2 CFR § 180.215.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the lower tier entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions (SAM.gov), collecting a certification from the lower tier entity, or adding a clause or condition to the covered transactions with that entity.

The City did not have the proper internal controls in place to verify that all entities, with whom the City had entered into covered transactions, had not been suspended or debarred. During testing of expenditures for Assistance Listing 21.027 Coronavirus State and Local Fiscal Recovery Funds, we noted nine instances of a payment to a vendor of more than \$25,000 where the City maintained a copy of their search results documentation from the SAM.gov database, but failed to evidence whether the City checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor prior to contracting.

Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the City should verify the vendor is not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

City Staff will add additional instructions and notes to the supporting documentation and will investigate additional procedures to prevent the occurrence of this error in future reporting periods.

## Recommendations

### 1. Budgetary Amounts not recorded in accounting system

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

The Appropriation resolution and subsequent amendments establish the legal spending authority of the City and the appropriation ledger provides the process by which the City controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

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. At June 30, 2022, the budgeted amounts for the General Fund posted to the City's accounting ledgers varied from the appropriations adopted by Council by \$3,416,873 and the budgeted amounts for the 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 \$1,248,199. In addition, the Original and Final Budgeted Receipts in the Health District Fund in the 2022 Required Supplementary Information each varied from the Certificate of Estimated Resources certified by the County Budget Commission by \$6,625,000.

Failure to accurately post the appropriations and 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 and expenditures, the City should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The City should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

[City Staff will reconcile the posting of approved/authorized budgetary measures in the accounting system to the approved Certificate of Estimated Resources on a bimonthly basis.](#)

### 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 2022 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.

**Recommendations  
(Continued)**

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

The MOU was signed between the Park Board, City of Cincinnati, and Parks Foundation on April 16, 2018. Park Board Staff provided the Commissioners a full budget picture during the July 21, 2022 board meeting. Throughout the year, the Park Board Staff will transfer approved Commissioner Fund budgeted dollars into City Fund 430. The Cincinnati City Council will need to approve the dollars prior to transfer into Fund 430, so the money can be used for purchasing supplies or contractual services. All Park Board staff purchases are paid out of a City fund.

The City has responded to issues discussed in this Management Letter. You may obtain a copy of their response from Tara Songer, Finance Manager, City of Cincinnati at [tara.songer@cincinnati-oh.gov](mailto:tara.songer@cincinnati-oh.gov) or (513)352-5314.

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
January 19, 2023