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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Management Letter

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

To the Member of City Council:

In accordance with *Government Auditing Standards* applicable to financial audits, we have 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2005.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal control over financial reporting and report any irregularities, illegal acts, other material noncompliance and reportable conditions in internal controls. We have issued the required report dated June 21, 2005, for the year ended December 31, 2004.

Office of Management and Budget Circular A-133 requires that we report all material (and certain immaterial) instances of noncompliance, and reportable conditions in internal control, related to major federal financial assistance programs. We have issued the required report dated June 21, 2005, for the year ended December 31, 2004.

We are also submitting for your consideration the following comments on the City's compliance with applicable laws and regulations and on its internal controls. These comments reflect matter that, while in our opinion do not represent material instances of noncompliance or reportable internal control conditions, we believe represent matters for which 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 suggested below. However, these comments reflect our continuing desire to assist your government. If you have any questions or concerns regarding these comments please do not hesitate to contact us.

* Indicates this comment is similar to a comment issued in the prior year

NONCOMPLIANCE CITATIONS

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

NONCOMPLIANCE CITATIONS
(continued)

During test work of the City's compliance with laws and regulations we noted funds that had a negative balance which indicates money from one fund was used to cover the expenses of another fund.

The City should advance funds when necessary to avoid negative fund balances.

Client Response:

Negative fund balances were noted in the General fund in 6 months in 2003 and twice in 2004. These and other fund balances were not negative at year-end. The City will monitor fund balances and take action as necessary to eliminate negative fund balances.

- 2.* **Ohio Rev. Code 5705.131** states that the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to ORC 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The City certified to the County Auditor the entire balance of its nonexpendable trust funds as available for expenditure in 2005.

The City certifying the entire balance of its nonexpendable trust funds as available for expenditures for 2005 could allow the expenditure of the principal amount of the nonexpendable trust fund which would be in violation of the trust agreements.

The City Auditor should exclude the actual principal amount in the nonexpendable trust funds from the certification of available resources filed with the County Auditor each January.

Client Response:

The Auditor will exclude the actual principal amount of non-expendable trust funds from the certification of available resources file with the County Auditor.

- 3.* **Ohio Rev. Code Section 5705.14, 5705.15, 5705.16** provide that no transfer can be made from one fund of a subdivision to any other fund, with certain exception:

The City had two instances where transfers were made which were not in compliance with 5705.14, 5705.15 and 5705.16. Transfers made from funds 261 and 401 were not in compliance with these requirements.

The City Council should review compliance requirements prior to approving any transfers by official resolution. If the transfer does not fall within one of the exceptions listed in Ohio Rev. Code Section 5705.14, 5705.15, 5705.16, it requires the approval of the court of common pleas and the tax commissioner.

Client Response:

Fund #261 was for reimbursement of expenses by FEMA for February 2003 storm damage. Fund #401 is shown as a transfer for GAAP reporting purposes, but is simply a debt service expense on a cash basis.

NONCOMPLIANCE CITATIONS
(continued)

4. **Ohio Rev. Code Section 5705.41 (D)(3)** states fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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 line item appropriation. In addition to regular blanket certificates, a subdivision’s fiscal officer may also issue “super blanket” certificates for any amount for expenditures and contracts 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 extend beyond the fiscal year. More than one super blanket certificated may be outstanding at one time for a particular line-item appropriation account.

The City did utilize blanket certificates. However, City Council did not approve by resolution or ordinance a specific maximum amount. Instead, they utilized the previous limit of \$5,000. We also noted there were several blanket purchase orders still outstanding at year end. These would carry over fiscal years.

City Council should approve the maximum amount at which blanket certificates may be issued. This approval should be done by an official resolution or ordinance. We further recommend the City ensure that all blanket purchase orders be closed out at year end to ensure none carry over fiscal years.

Client Response:

Section 53 of the City Charter permits appropriations to be carried over at the end of the year for projects not completed at year-end. These projects are typically encumbered under large blanket purchase orders and therefore no limit is set on blanket purchase orders, and no expiration of capital improvements. The expiration of capital improvement purchase orders is reviewed by the Auditor with appropriate department heads at year-end to determine which are needed to be carried over.

- 5.* **Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue.

During test work of the City’s compliance with laws and regulations we noted the general fund’s original and final appropriations exceeded its original and final certificates of estimated resources.

The City should monitor its estimated resources verses appropriations. This should be monitored on a regular basis to determine if an amendment is necessary.

Client Response:

The Auditor certifies projected revenues to the Mayor and City Council before the budget is approved. The Auditor will recommend that appropriations approved not exceed estimated revenues.

Appropriations were reduced by ordinance and did not exceed actual resources at year-end. The final Certificate of Estimated Resources was not approved by the Budget Commission until January. The Auditor will see that the final estimated resources are approved by the Budget Commission by year-end to cover appropriations as needed.

RECOMMENDATIONS

1.* **Passbook Account**

We noted a passbook savings account of the City of Portsmouth Community Development Department which has not been included in the City's reconciliation in several years.

This has resulted in inaccurate reconciliations and inaccurate information being presented for management's review.

All accounts of the City should be included in the monthly reconciliation.

Client Response:

This account will be booked on the City's reconciliation. This action may take Council action to approve. The Auditor will take necessary action to bring this account on the City's books as needed.

2.* **Civil Witness Fees**

Receipts posted to the computerized cashbook for the Civil Division of the Municipal Court are distributed to the appropriate columns based on the data entered. The computer automatically calculates amounts to be disbursed to the City of Portsmouth and to the State of Ohio at the end of each month from amounts posted to each column.

Witness fees collected were posted to the miscellaneous costs column and subtracted from the total of this column remitted to the City of Portsmouth. However, these witness fees were not included in the computer generated cash on hand report and some were not properly refunded to the proper entity.

The Clerk of Courts should review witness fees collected to determine amounts that may not have been properly refunded. In addition, the Clerk of Courts should contact the software provider to ensure that these fees are posted to cash on hand until disbursed.

Client Response:

This was corrected in early 2005. All witness fees now show up on the cash on hand report and not as an open item.

3.* **Policy for Cell Phone and Credit Card Usage**

Governmental entities might have the authority to provide cell phones, credit cards, and purchasing cards for use by authorized employees. The use of these items should be specified in a policy established by the government's legislative body.

The City does not have an established policy addressing the procedures for use of cell phones or credit cards.

RECOMMENDATIONS
(Continued)

The City Council should adopt a policy addressing the usage of cell phones and credit cards. This policy should, at a minimum, identify authorized users; guidelines for allowable use/purchases; method of reimbursement (if personal use is allowed); specific unallowable uses; reporting; monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body.

Client Response:

The City will develop and implement policies governing the use of cellular phones, credit and purchasing cards.

4. Bank Reconciliation Controls

During test work of the City's bank reconciliation controls, it was noted that monthly reconciliations were not performed on all accounts experiencing activity.

All bank accounts experiencing activity should be reconciled on a monthly basis.

The Auditor's Office does not routinely reconcile each account in which activity occurs.

Monthly reconciliations are not currently performed on the following accounts: ODOT escrow account, WWREVBND construction account WWREVBND DSR account, WWREVBND bond fund, and the U.S. Bank Business Revolving Loan. Although we noted instances in which these accounts did experience activity, reconciliations were not always performed for the months during which the activity occurred.

The Auditor's Office should reconcile every account experiencing activity on a monthly basis.

Client Response:

The Auditor will document reconciliation of all low activity accounts with its monthly reconciliation of its regular accounts.

5.* Disaster Recovery Plan

The City's Municipal Court does not have a formal disaster recovery plan. The existence of a written disaster recovery plan would reduce the possibility of the disruption of computer services for the Municipal Court department.

The Municipal Court should develop and maintain a written disaster recovery plan that identifies the procedures necessary for the court to continue processing information in the event of a disaster.

In the event of a disaster, the court may experience a disruption in computer services and other inefficiencies due to its lack of a disaster recovery plan.

The Clerk of Courts should develop a formal disaster recovery plant outlining the procedures necessary for the court to continue processing information in the event of a disaster.

RECOMMENDATIONS
(continued)

Client Response:

The Clerk of Court is currently implementing a written Disaster Recovery Plan. This plan will be posted at the server location as well as on file in the Clerk's office, with both Judges, and one copy at the off-site backup location.

6. Municipal Court

The Municipal Court prepares monthly reconciliations of both the Civil and Criminal accounts, however, when differences were noted, no further investigation or explanation is given regarding the differences.

By not performing accurate reconciliations each month, errors could go undetected. Further investigation of un-reconciled differences is also needed in order to better facilitate the reconciliation process.

The Municipal Court should further investigate any differences that occur during the monthly reconciliation process in order to better facilitate accuracy of the reconciliations.

Client Response:

There were explanations of most of the indifferences on a worksheet, however, those explanations were not carried over to the final draft that was given to the Auditor. The Clerk will make sure all explanations are put on the final draft in the future. We also had differences in 2004 that at the time could not be accounted for. The Clerk has received additional training from the software vendor's accountant in resolving these problems. Many of the problems were a result of sending out money twice due to garnishments being satisfied. When the judgment of garnishments was satisfied (paid) by the defendant, the court would receive order from the Judge to refund money back to the defendant. When we first received the money, the computer created an open check file to be paid to the plaintiff. These open check files should have been deleted from the system once a check was issued to the defendant. When this happened, a double payment was issued by the Clerk's office. We have since implemented safeguards to keep this from occurring again.

7. Federal Programs HIV Prevention Grant

Upon testing allowable cost compliance section of FACCR, BHS discovered that the City Health Department was leasing three Honda Civic's from Immke Northwest Honda. BHS was concerned that the City lease agreement could potentially be deemed a capital lease and not an operating lease. The City Health Department is required to obtain prior approval if they purchase a capital asset of \$300 or greater from the Ohio Department of Health in which they did not obtain the approval prior to entering into the lease agreement. The lease agreement was well beyond this threshold and if the lease agreement would have met the criteria of a capital lease the City Health Department would have been in violation of the grant agreement.

**RECOMMENDATIONS
(Continued)**

If the lease would have met one of the four criteria as defines a capital lease, the City would have been in violation of the grant agreement.

The Health Department Administration should either obtain prior approval from ODH before entering into the lease agreement and/or review the four qualifications that qualify a lease as a capital lease in order to refrain from being non-compliant with the Grant Agreement.

Client Response:

The three leased vehicles were returned. New lease verbage will include "operating lease". The lease agreements do not meet the recommendations for the four points criteria which defines a capital lease.

8. Property Tags

Upon testing Equipment and Real Property Management compliance requirement, we noted that the City Health Department has not tagged any of the capital assets purchased by the City Health Department or its Sub-Recipients.

Not tagging capital assets purchased with federal grant monies places the asset at risk of theft and places the City's stewardship of those assets at risk.

The City should tag all capital assets purchased with federal grant monies by the City Health Department and/or its Sub-Recipients.

Client Response:

Any fixed asset purchased with federal grant monies will be tagged as property of Portsmouth City Health Department and Ohio Department of Health.

9. Inventory of Sub-Recipients

Upon testing Equipment and Real Property Management cost compliance requirement, we discovered that the City Health Department does not conduct an annual inventory on its Sub-Recipients that will reduce the risk of the misappropriation of capital assets purchased by its Sub-Recipients.

Not conducting an annual inventory of capital assets purchased by the City's Sub-Recipients with federal grant monies places the asset at risk of theft and places the City's stewardship of those assets at risk.

The City Health Department conduct an annual inventory of its capital assets located at Sub-Recipients sites.

Client Response:

An inventory fixed asset will be a required sub-recipient special condition.

**RECOMMENDATIONS
(Continued)**

10. Monitoring of Sub-Recipients

Upon testing Sub-Recipient Monitoring compliance requirement, BHS discovered that the City Health Department was not reviewing Sub-Recipients annual audit reports or management letters.

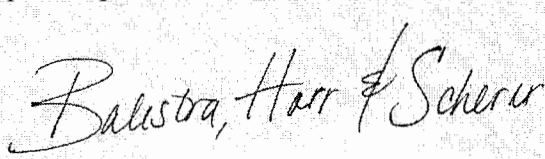
By not reviewing annual audit reports or management letters from Sub-Recipients, there is a possibility that the City Health Department will not be aware of noncompliance issues or internal control difficulties that a sub-recipients(s) might have in regards to federal monies received and furthermore, if correcting action has been taken.

The Health Department Administration should review annual audit reports and management letters regarding audit findings and require that sub-recipients respond to the audit findings and management letter comments within six months after receipt of the sub-recipients audit report and management letter.

Client Response:

We will immediately submit letters to all sub recipients requesting a copy of their audit report. This will be an annual sub recipient special condition beginning January 1, 2006.

This report is intended for the information and use of management, City Council, federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

June 21, 2005

The City of Portsmouth

"Where the Ohio and Scioto Meet"

Department of Finance

Municipal Building, Room 3

728 Second Street, P.O. Box 1323
Portsmouth, OH 45662

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M. Trent Williams
City Auditor



TO: Honorable James D. Kalb, Mayor, City of Portsmouth
Honorable Members of Portsmouth City Council
Department Heads, City of Portsmouth
Interested State of Ohio and United States Federal Agencies

FROM: M. Trent Williams, Portsmouth City Auditor

DATE: September 27, 2005

RE: Distribution of Audit Report of the City of Portsmouth
For the Fiscal Year ended December 31, 2004

OMB Circular A-133 establishes audit requirements for states, local governments, and nonprofit institutions that receive federal awards, whether received directly from a federal agency or indirectly through a state or local governmental unit.

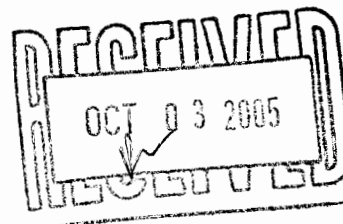
OMB Circular A-133 requires those organizations that expend \$300,000 or more a year in federal awards shall have a Single Audit (organization-wide) made in accordance with OMB Circular A-133 and Government Auditing Standards. In addition, this Circular states that submission of audit reports should be within 9 months after fiscal year end.

As you may be aware, the audit has been completed for the year ended December 31, 2004 by Michael A. Balestra, CPAs, Inc. and has been certified and released on September 13, 2005 by the office of the Auditor of the State of Ohio Betty Montgomery. I have forwarded a copy of the audit, as certified and released above, directly to each of the interested state and federal agencies shown below. If you are required to report to any agency other than those I have indicated, please notify me and I will supply you with a copy of the audit to pass on to your agency.

Please contact me if you have any questions regarding this matter. Thank you for your assistance and cooperation.

Respectfully submitted,

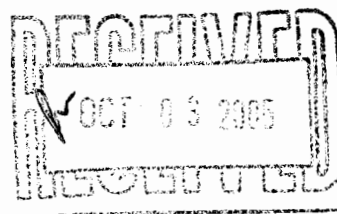
M. TRENT WILLIAMS, CITY AUDITOR



*Interested State of Ohio and US Federal Agencies:

Ohio Department of Development
Ohio Environmental Protection Agency
Ohio Department of Health
Ohio EMA, Public Assistance Programs

Ohio Office of Criminal Justice Services
Ohio Department of Public Safety
USDA/Rural Development
Federal Audit Clearinghouse



City of Portsmouth

Scioto County

Single Audit

January 1, 2004 through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

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CITY OF PORTSMOUTH
SCIOTO COUNTY

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CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2004

Federal Grantor / Pass Through Grantor 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	A-F-03-067-1	14.228	\$ 130,318
Total U.S. Department of Housing and Urban Development			<u>130,318</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed through Office of Criminal Justice</i>			
Local Law Enforcement Block Grant Program	SH-WX-0121	16.592	56,239
	LB-BX-1286	16.592	20,640
	LB-BX-2500	16.592	6,566
Total Local Law Enforcement Block Grant Program			<u>83,445</u>
Total U.S. Department of Justice			<u>83,445</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through Ohio Department of Public Safety</i>			
State and Community Highway Safety Grant	2003-J8C-J/6	20.600	42,084
Total U.S. Department of Transportation			<u>42,084</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through Ohio Environmental Protection Agency</i>			
Air Pollution Control Program Support	N/A	66.001	150,671
Total U.S. Environmental Protection Agency			<u>150,671</u>

CITY OF PORTSMOUTH
SCIOTO COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2004**

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed through Ohio Department of Health</i>			
Center for Disease Control and Prevention Investigations and Technical Assistance			
Public Health Infrastructure	73-2-001-2-BI	93.283	<u>164,326</u>
Total Center for Disease Control and Prevention Investigations and Technical Assistance			<u>164,326</u>
HIV Prevention Activities Health Department Based	73-2-001-CF	93.940	535,455
Preventive Health and Health Services Block Grant:			
Cardiovascular Health	73-2-001-2-ED	93.991	62,000
Injury Prevention	73-2-001-2-EE	93.991	<u>27,997</u>
Total Preventive Health and Health Services Block Grant:			<u>89,997</u>
Abstinence Education	N/A	93.110	15,551
Maternal and Child Health Services Block Grant	73-2-001-1-AI	93.994	<u>268,243</u>
Total U.S. Department of Health and Human Services			<u>1,073,572</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through Ohio Emergency Management Agency</i>			
Public Assistance Grant	1453-DR-145-64304	97.036	<u>31,304</u>
Total U.S. Department of Homeland Security			<u>31,304</u>
Total Federal Awards Expenditures			<u>\$ 1,511,394</u>

N/A - Pass through entity number could not be located

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

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - BASIS OF ACCOUNTING

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and 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. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amount of loans outstanding under this program was \$339,744.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

To the members of City Council:

We have 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-005 through 2004-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2004-005 through 2004-006 listed above to be material weaknesses.

City of Portsmouth

Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

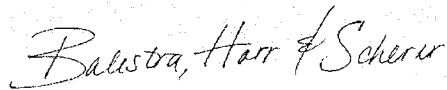
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-001 through 2004-004.

We noted certain additional matters that we reported to the management of the City in a separate letter dated June 21, 2005.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and passthrough entities, and is not intended to be and should not be used by anyone other than these parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 21, 2005

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

To the Members of City Council:

Compliance

We have audited the compliance of the City of Portsmouth, Scioto County, Ohio ("the City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2004-007 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding reporting that are applicable to its Maternal and Child Health Services Block Grant and the Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2004-008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-007.

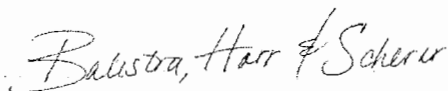
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

We also noted certain matters that do not require inclusion in this report that we have reported to management of the City in a separate letter dated June 21, 2005.

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2004, and have issued our report thereon dated June 21, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial and, in our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 21, 2005

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions 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 other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified for HIV Prevention Activities Health Department Based Qualified for Maternal and Child Health Service block grant
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	HIV Prevention Activities Health Department Based – CFDA #93.940 Maternal and Child Health Service Block Grant – CFDA #93.994
(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, 2004
(Continued)

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Chapter 5705 sets forth a scheme that provides for a uniform budget and appropriation process to assure that a governmental entity expends no more than it expects to receive in revenue. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. (Ohio Rev. Code Section 5705.42). Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. (Ohio Rev. Code Section 5705.40). An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. (Ohio Rev. Code Section 5705.38).

The City passed an annual appropriation resolution at the beginning of the year; however, this did not include several of the grant funds and Municipal Court funds. Instead, these funds were considered to be appropriated when received. Each of these funds, at some point in the past, was approved to be appropriated in this manner. However, the City's Charter did not address this type of approval, and thus, the City was subject to the code sections listed above.

We identified Ordinances 1995-45, 1996-36, 1996-62, 1997-69, 1997-149, 1997-198, 1998-12, and 1998-175, in which City Council effectively delegated appropriation authority to the City Auditor for certain funds.

C. B. Transportation, Inc. v. Butler County Board of Mental Retardation (C.P.1979), 60 Ohio Misc. 71, 397 N.E.2d 781 citing *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152 held that the board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a local government's governing board would be prohibited from delegating duties statutorily assigned to it, such as the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

Therefore, City Council must formally appropriate these amounts and should consult with its legal counsel to take proper steps to do so. The audited budgetary statements do not include amounts City Council did not appropriate.

We recommend that the City follow the budgetary scheme of Chapter 5705 of the Revised Code and amend its appropriation measure to record these funds.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505**

**FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is to become 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.

However, the Capital Improvement (301) fund had appropriations in excess of total estimated resources at year end.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

There were several instances noted throughout the year and at year end in which expenditures exceeded appropriations. The following funds had no appropriations and as a result had material instances of this type of occurrence at May 31, 2004: CDBG (243), State Grant-Health (252), Flood Defense (265), WW-CIP (605). At December 31, 2004 the WW-CIP (605) had no appropriations and therefore had expenditures which exceeded appropriations in a material amount at year end.

The City Auditor should not certify the availability of funds and should deny payment requests exceeding appropriations. The City Auditor may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505

FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Numerous expenditures tested were not properly certified.

We recommend the City implement policies to ensure that all purchases first have monies certified by the City Auditor before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority.

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505

FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-005

Material Weakness

The Court's system would not generate a receivables report as of December 31, 2004. The Clerk of Municipal Court indicated that he planned to obtain software that would enable him to generate reports as of selected dates to remedy this situation for the future.

Additionally, a review of the report provided indicated that the receivables totaled more than \$2.2 million. The City recorded two-thirds of the amount as its collectible receivables. However there was no substantiation to support the assertion that two thirds of the receivables were collectable.

Based on the review of the receivables amounts, an analysis was performed to determine if the Portsmouth Municipal Court's estimate of collectable receivables was reasonable. We analyzed receipts for several months to determine the amounts collected on cases from previous years. We used this analysis to develop an estimate of the amount that the Municipal Court would likely receive. We determined this amount to be only approximately three percent of the total receivables reported in the system. This low rate of collection has resulted in lost revenues for Portsmouth Municipal Court and the City of Portsmouth which could be used to provide essential services to the citizens.

We recommend Portsmouth Municipal Court more closely monitor the Court's receivables and the collection process. The Municipal Court should analyze the receivables and determine the best method to collect all possible revenues. We further recommend Portsmouth Municipal Court consider various collection options including possibly contracting the services of a third party collection agency. While the collection agency would retain a percentage of collected revenues, this would likely lead to increased collection and revenue for the Portsmouth Municipal Court and the City of Portsmouth.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505**

FOR THE YEAR ENDED DECEMBER 31, 2004

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS(Continued)
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FINDING NUMBER 2004-006

Reportable Condition

Estimated receipts and appropriations should be posted to the accounting system so that they reflect Council approved amounts per the Certificate of Estimated Resources and the Appropriation Ordinance.

We noted several discrepancies between the approved amounts and the amounts entered into the system for various funds tested. This could result in misstatement in the City's budgetary statements and lead to inaccurate financial decisions made by City Council and management.

We recommend the City Auditor post appropriations to reflect the appropriations approved by the City Council in an accurate and timely manner and the City Auditor ensure all estimated receipts posted to the system reflect the amounts on the Certificate of Estimated Resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2004-007
CFDA Title and Number	Maternal and Child Health Service Block Grant- CFDA #93.994
Federal Award Number	73-2-001-A1
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance/Material Weakness - Reporting

There are no financial reporting requirements from the local level to the Federal government. Financial reporting at the local level is directly to Ohio Department of Health (ODH) through periodic Certified Expenditure Reports and an Annual Reconciliation Expenditure Report.

- The expenditure reports are to be submitted quarterly unless the sub grantee is directed otherwise in the RFP or Notice of Award.
- The information in the expenditure reports must correspond with the sub grantee's accounting records and supporting documentation.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505**

**FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2004-007 (Continued)
CFDA Title and Number	Maternal and Child Health Service Block Grant- CFDA #93.994
Federal Award Number	73-2-001-A1
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

- Reports of project expenditures and revenues must be on the same accounting basis (i.e., cash or accrued expenditure) as the agency's accounting system. The accounting basis used can not be changed without ODH approval.
- The periodic expenditure report must be submitted in duplicate to the ODH Grants Administration Unit within fifteen (15) calendar days following the end of the reporting period.
- The annual expenditure report must be submitted in duplicate forty-five (45) calendar days following the end of the grant year to the ODH Grants Administration Unit. (ODH GAPP Manual section 505.1, and 505 introduction)

The Certified Expenditure Reports include financial information pertaining to the program (including: current period and year to date expenditures, outstanding obligations, grant and program income receipts for the period and year to date, available cash balance, and other financial information).

The fourth quarterly (or last periodic) Certified Expenditure Report will be considered an interim final expenditure report. If the final Annual Reconciliation Expenditure Report is not received within 45 calendar days after the end of the grant year, the fourth quarterly Certified Expenditure Report will be considered as the final. (ODH GAPP Manual section 506.3)

Both the City's quarterly and the final expenditure reports did not tie to the City's accounting ledgers or the spreadsheets maintained by the Health Department. Although the City tracks all CFHS program expenditures in account 252.443, the expenditures in that account are not just federal expenditures required to be reported to the State of Ohio. It also includes expenditures from program income, Medicaid revenue, and donations received from the women's clinic. With these expenditures included in that account, the health department had no way to identify specific expenditures that were federal. Due to this, the health department had to estimate its expenditures on their quarterly and final expenditure reports. However, the Health Department did not use a consistent manner when estimating the expenditures so the amounts reported could not be substantiated. We noted several line item expenditures in the final and quarterly reports submitted which did not agree to the City's accounting records.

CITY OF PORTSMOUTH
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Finding Number	2004-007 (Continued)
CFDA Title and Number	Maternal and Child Health Service Block Grant- CFDA #93.994
Federal Award Number	73-2-001-A1
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

We also noted the amounts reported as program income did not agree to the accounting records in the final and one quarterly report

Without proper support of expenditures and revenues reported to the State of Ohio, there is an increased risk of questioned costs. In order to decrease the incorrect reporting of federal expenditures, the expenditures should be tracked in a manner that allows one to easily identify them as a federal program expenditure. One should also be able to identify which grant period the monies are being charged against. However, the City has commingled its federal, state, and program income from the Child and Family Health Services (CFHS) Program into one fund on the City's ledgers. Due to this, it is difficult to identify which expenditures are federal. It is also difficult to determine which grant year the expenditure pertains to. Without separate identification of federal expenditures, difficulty arises in determining which expenditures are subject to federal guidelines.

We recommend the City begin tracking the federal portion of the CFHS grant in a separate fund to allow for proper tracking of expenditures. This will allow for better monitoring of expenditures and the cash balances. We also recommend the City's Health Department begin reporting to the State those expenditures supported by the City's accounting records. If an estimate must be made, we recommend documenting the method in which the estimate is calculated and consistently applying that estimate for all expenditures reported.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505**

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Finding Number	2004-008
CFDA Title and Number	Community Development Block Grants/State Program– CFDA # 14.228
Federal Award Number	A-F-03-067-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation – Cash Management

According to the State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rule and Regulation Handbook, Section (A)(3)(f), the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

The City maintained a balance that well exceeded the \$5,000 for the entire year in the CDBG checking account. For example, the account balance exceeded \$30,000 in the month of April, \$100,000 in July, \$103,000 in August, and \$157,000 in October. They did not expend monies that were drawn down in a timely manner to bring the balance down to the \$5,000 balance limit.

We recommend the City develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. We further recommend that the City Auditor disburse federal funds in a more timely manner in order to avoid this noncompliance.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Noncompliance of Ohio Rev. Code Section 1901.26(B)(1)	Yes	
2003-002	Noncompliance of Ohio Rev. Code Section 5705.38, 5705.40 & 5705.42	No	Not corrected. Repeated as Finding Number 2004 - 001
2003-003	Noncompliance of Ohio Rev. Code Section 5705.39	No	Not corrected. Repeated as Finding Number 2004- 002
2003-004	Noncompliance of Ohio Rev. Code Section 5705.41 (B)	No	Not corrected. Repeated as Finding Number 2004 - 003
2003-005	Noncompliance of Ohio Rev. Code Section 5705.41 (D) (1)	No	Not corrected. Repeated as Finding Number 2004 - 004
2003-006	Bank Reconciliations were not accurate for Municipal Court	Yes	
2003-007	Several discrepancies between the approved estimated receipts and appropriations and the amounts entered into the accounting system	No	Not corrected. Repeated as Finding Number 2004 - 006
2003-008	Monitoring of the Municipal Court receivables and collection process	No	Not corrected. Repeated as Finding Number 2004 - 005
2003-009	Questioned Cost for Federal Emergency Management Agency Program – Period of Availability	Yes	
2003-010	Questioned Cost for Federal Emergency Management Agency Program – Allowable Costs/ Cost Principles – 44 CFR Section 206.228(a)(1)(i)	Yes	
2003-011	Questioned Cost for Federal Emergency Management Agency Program – Allowable Costs/ Cost Principles – 44 CFR Sections 206.228()(2)(i)-(ii) & (a)(3)(ii)	Yes	

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-012	Finding for Adjustment for Federal Emergency Management Agency – Reporting	Yes	
2003-013	Noncompliance Citation for Federal Emergency Management Agency – Reporting	Yes	
2003-014	Noncompliance Citation for Maternal and Child Health Service Block Grant – Allowable Costs/ Cost Principles	Yes	
2003-015	Noncompliance Citation/Material Weakness for Maternal and Child Health Service Block Grant – Reporting	No	Not corrected. Repeated as Finding Number 2004 - 007
2003-016	Noncompliance Citation for Community Development Block Grants/State Program – Cash Management	No	Not corrected. Repeated as Finding Number 2004 - 008

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2004-001	This condition, which was not noted by audit until late in 2004, has been corrected with a yearend appropriation amendment ordinance in 2004 and further corrected by appropriation ordinances at the beginning of year 2005 for grant funds.	December 31, 2005	City Auditor
2004-002	The Auditor certifies projected revenues to the Mayor and City Council before the budget is approved. The Auditor will recommend that appropriations approved not exceed estimated revenues. Appropriations were reduced by Ordinance and did not exceed actual resources at year end. The final Certificate of estimate Resources was not approved by the Budget Commission until January. The Auditor will see that the final estimated resources are approved by the Budget Commission by yearend to cover appropriations as needed.	December 31, 2005	City Auditor
2004-003	This condition was resolved by the yearend amended appropriations ordinance for 2004 and further corrected for 2005 with beginning of year appropriations ordinance for grant funds. Fund #605 is a water projects fund, with funds derived from bond proceeds. The bond proceed ordinance from 2003 gave appropriation authority for all projects within this fund in the 2003 ordinance. The original appropriation given in this ordinance is in effect until completion of several water projects funded by the bond proceeds.	December 31, 2005	City Auditor
2004-004	Purchasing policies are in place through the City's Account Code Systems Manual. The City utilizes "Confirming" purchase orders that function essentially as "Then and Now" certificates. The City Auditor has issued policy memoranda regarding City purchasing practices and will follow up with purchasing personnel through monitoring and training.	December 31, 2005	City Auditor
2004-005	The Portsmouth Municipal Court monitors the receivables to the penny, however collecting the money is a difficult task. The Court currently utilizes warrant blocks, license forfeitures, written fine agreements, probation, monthly mailing to defendants, and fine hearing to collect receivables. The Court hopes to enter into an agreement with an outside collection agency sometime before the end of year 2005. The Court has contacted several collection agencies and is now in the process of writing criteria for bid proposals. The Court will always strive to collect this money to the best of its ability.	December 31, 2005	Municipal Court Clerk

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2004**

2004-006	As the City's system does not allow its reports to reflect both original and updated revenue, the City has chosen to reflect only the original budgeted revenue for use in comparison of projected revenue to actual. Appropriations did not match throughout each month of the year, but were reconciled at year end through Ordinance #2004-82 in December.	December 31, 2005	City Auditor
2004-007	The City will report only those expenditures supported by the City's accounting records. The Health Department will work with the City Auditor to establish a way to record the expenditures in the accounting records to facilitate this.	December 31, 2005	Health Commissioner
2004-008	A balance of \$100,000 which was a waiver amount from the City's BRLF account that was approved by ODOD/OHCP to be used as the City share of the Portsmouth Welcome Center. The amount was approved in mid-2004 and was immediately transferred into the CDBG checking account for payment for the project. The documentation for payment was delayed and not made until June 2005. The amount should have been transferred back to the BRLF account until payment was needed, but was left in the checking account until paid. This is now corrected as payment made.	December 31, 2005	City Auditor, Community Development Director