

**CITY OF WOOSTER  
WAYNE COUNTY, OHIO**

Independent Auditors' Reports on  
Internal Controls and Compliance  
and Schedule of Expenditures of Federal Awards

December 31, 2015





# Dave Yost • Auditor of State

City Council  
City of Wooster  
538 North Market Street  
Wooster, Ohio 44691

We have reviewed the Independent Auditor's Report of the City of Wooster, Wayne County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Wooster is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 4, 2016

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**INDEPENDENT AUDITORS' 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 Council  
City of Wooster  
538 North Market Street  
Wooster, Ohio 44691

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wooster, Ohio (the "City") as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2016, wherein we noted the City adopted the provisions of GASB Statements No. 68 and 71 for the year ended December 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
July 29, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

City Council  
City of Wooster  
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**Report on Compliance for Each Major Federal Program**

We have audited the City of Wooster, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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## **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 29, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
July 29, 2016

**CITY OF WOOSTER  
WAYNE COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Grant Agency/Project Title</u>	<u>Grant Identification Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>FEDERAL ASSISTANCE:</b>			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the State of Ohio Development Services Agency:			
Community Development Block Grants			
Community Housing Impact and Preservation Program	A-C-14-2EQ-1	14.228	\$ 296,759
Community Development - Economic Development Program	A-E-13-2EQ-1	14.228	500,000
Community Development Grant Program	A-F-14-2EQ-1	14.228	<u>72,476</u>
Total Community Development Block Grants			869,235
Home Investment Partnership Program			
Community Housing Impact and Preservation Program	A-C-14-2EQ-2	14.239	158,711
Total U.S. Department of Housing and Urban Development			<u>1,027,946</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Ohio Department of Transportation			
Federal Highway Administration			
Highway Planning and Construction - E. Liberty Street Resurfacing (Way)	97514	20.205	277,618
Highway Planning and Construction - Palmer Street Resurfacing (Way)	99762	20.205	90,153
Highway Planning and Construction - Oldman Road Connector (Way)	98651	20.205	119,356
Highway Planning and Construction - Safe Routes to Schools (Parkview)	92070	20.205	255,321
Highway Planning and Construction - Friendsville Road Reconstruction	88994	20.205	284,013
Highway Planning and Construction - SR 585 (Way)	86127	20.205	1,292,970
Total U.S. Department of Transportation			<u>2,319,431</u>
<b>Total Federal Expenditures</b>			<b><u>\$ 3,347,377</u></b>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wooster, Wayne County, Ohio, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
Identification of major programs:	
CFDA 14.228 – Community Development Block Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

**Finding 2015-001: Audit Adjustments**

Management is responsible for designing and implementing internal controls over financial reporting which provides reasonable assurance of the integrity of the financial reporting process, the safeguarding of assets and compliance with applicable laws, regulations and contracts.

The following adjustments discovered during the audit were posted to the financial statements:

- Reduction of intergovernmental receivables reported at year-end to properly reflect amounts due to the City through grant programs.
- Reclassification of components of governmental fund balance as well as amounts initially reported as transfers.

Other insignificant adjustments were proposed as a result of the audit, but were not posted.

The City should review the procedures and controls in place to prepare its annual financial statements to ensure the internal control environment is sufficient to identify potential misstatements during the preparation of the annual financial statements.

*Management Response: The City concurs with the adjustments proposed. Please refer to the City’s corrective action plan presented on page 10.*

### Section III – Federal Awards Findings and Questioned Costs

#### **Finding 2015-002: Significant Deficiency**

**US Department of Housing and Urban Development  
(passed through the State of Ohio Development Services Agency)  
Program: Community Development Block Grants  
CFDA: 14.228**

Criteria: Internal controls over compliance must be established to reduce the risk of noncompliance over cash management of funds (31 CFR part 205 and OCD Financial Management Rules and Regulations) drawn down on the program to a low level.

Condition: During the year under audit, the City was not able to provide documentation which linked funds drawn down by the individual project to the specific project disbursements. The City was subsequently able to reconcile the cash draws to the specific project disbursements, but not until after questioned during the audit, to demonstrate its compliance with cash management requirements.

Questioned Costs: None

Context: During the year under audit, the City did not have a process to ensure cash draws for specific projects were spent on those specific projects within the timeframe established by program regulations.

Effect: Lack of adequate internal control could have prevented the City from preventing, or detecting and correcting, noncompliance with cash management requirements on a timely basis.

Cause: The City did not have a proper documented process established to ensure cash draws for specific projects could be identified with the specific project disbursements during the audit period.

Recommendation: Subsequent to the end of calendar year 2015, the City prepared a reconciliation of the program cash draws to specific project disbursements. This reconciliation process should be maintained and updated continuously throughout future periods as the City receives cash draws or makes project disbursements.

*Management Response: The City agrees with the finding and has implemented appropriate procedures. Please refer to the City's corrective action plan presented on page 10.*

**None Reported in Prior Year**

**Finding 2015-001: Audit Adjustments**

Contact Person: Andrei Dordea, Director of Finance

Corrective Action: The City will review the receivables calculated after year-end prior to the preparation of the financial statements to ensure amounts are properly calculated based on grant program awards and amount received through the end of the current year.

Completion Date: Annually, in conjunction with the preparation of the financial statements.

**Finding 2015-002: Significant Deficiency, Cash Management**

Contact Person: Jonathan Millea, AICP - Development Director

Corrective Action: The City has developed a procedure to reconcile cash draws to specific project cash disbursements to ensure all funds are spent in accordance with applicable program requirements. This process will be maintained throughout the year as draws requests and project expenditures are made.

Completion Date: Immediately.



**At Clark Schaefer Hackett,** we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

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