

## **EXECUTIVE SUMMARY 2014 STATE OF OHIO SINGLE AUDIT**

### **AUDIT OF BASIC FINANCIAL STATEMENTS**

There are 10 separate opinion units included in the basic financial statements of the State of Ohio for the state fiscal year (FY) ended June 30, 2014. For five of the 10 opinion units, our opinion was based, in whole or in part, on audits performed by independent accounting firms under contract with the Auditor of State. The remaining five opinion unit audits were performed by audit staff of the Auditor of State. This information is described on page 1 in our Independent Auditor's Report included in the CAFR.

We audited the basic financial statements of the State of Ohio as of and for the period ended June 30, 2014, following auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*, and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The objective of our audit was to express our opinion concerning whether the financial statements present fairly, in all material respects, the respective financial position of the State of Ohio, and cash flows thereof and the respective budgetary comparisons, in accordance with accounting principles generally accepted in the United States of America. We issued unqualified opinions on the 10 opinion units. This opinion was provided to the Office of Budget and Management who released it, along with the CAFR, under separate cover. This document is included as an attachment to this report.

In addition to our opinions on the basic financial statements, we issued an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*. There was one significant deficiency, but no noncompliance or material weaknesses, required to be reported in this letter for the fiscal year ended June 30, 2014.

We also identified two findings for recovery that will be included in this document, but which do not have an impact on our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* or on the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133*, discussed below.

### **AUDIT RESPONSIBILITIES AND REPORTING UNDER OMB CIRCULAR A-133**

The Single Audit Act requires an annual audit of the State's federal financial assistance programs. The specific audit and reporting requirements are set forth in U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Schedule of Expenditures of Federal Awards (the Schedule) reports federal expenditures for each federal financial assistance program by federal agency, as identified by the Catalog of Federal Domestic Assistance (CFDA) number. As detailed on pages 9 through 22, the State administered 357 federal programs from 23 Federal agencies with total federal expenditures of \$25.3 billion in fiscal year 2014. Of the \$25.3 billion, the State disbursed \$519 million in funding related to the American Recovery and Reinvestment Act (ARRA) of 2009. This compares to \$1 billion of ARRA funds disbursed in FY 2013 and \$1.6 billion disbursed in FY 2012.

The Schedule is used for identifying Type A and Type B programs. For fiscal year 2014, Type A federal programs for the State of Ohio were those programs with annual federal expenditures exceeding \$37.8 million. There were 29 programs at or above this amount. Type B programs were those programs with annual federal expenditures exceeding \$7.5 million, but less than \$37.8 million. There were 35 programs meeting the criteria for Type B programs. The identification of Type A and B programs is utilized for determining which federal programs will be tested in detail for compliance with federal laws and regulations. Under OMB Circular A-133, the auditor uses a risk-based approach to testing.

Once programs are classified as Type A or B, they are then assessed as either high or low risk programs. All high-risk Type A programs are considered major programs and are tested in detail for compliance with federal regulations. Low-risk Type A programs must be tested at least once every three years. One high-risk Type B program is then selected for testing to replace each low-risk Type A program not required to be tested. The State of Ohio Single Audit included the testing of 25 Type A programs and four high-risk Type B programs as major programs in fiscal year 2014.

Included in the Schedule are monies paid by the Ohio Department of Job & Family Services and the Ohio Department of Medicaid to their subrecipient county agencies to administer applicable portions of the Medicaid, Children's Health Insurance Program, TANF, Foster Care, Adoption Assistance, Social Services Block Grant, Child Care Cluster, Child Support Enforcement, and SNAP federal programs. The related county federal schedules will report expenditures for all disbursements made at the county level. However, for the Medicaid, Children's Health Insurance Program, TANF (OWF portion), Adoption Assistance, Child Care Cluster, and SNAP federal programs, the counties performed limited functions and maintained case records to support benefits paid by the Ohio Department of Job & Family Services and the Ohio Department of Medicaid related to these programs. We selected five of 88 counties and performed testing related to the specific county level activities for these six major programs. The results of our county level audit procedures are included in the Schedule of Findings and Questioned Costs.

The State's colleges and universities' federal financial assistance, which was approximately \$3.6 billion in fiscal year 2014, is excluded from the State's Schedule although their financial activities are included in the State's financial statements (Discretely Presented Component Units). The State's colleges and universities included in the State's reporting entity are subject to separate audits under OMB Circular A-133.

In accordance with A-133, we issued an *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133*. Our report on compliance includes our opinion on compliance with the 29 major federal financial assistance programs and describes instances of noncompliance with Federal requirements we detected that require reporting per Circular A-133. This report also describes any material weaknesses or significant deficiencies we identified related to controls used to administer Federal financial assistance programs. Due to the significance of five of our audit findings, we qualified our opinion on compliance related to Cash Management applicable to the SNAP Cluster, Employment Services Cluster, Unemployment Insurance, WIA Cluster, TANF Cluster, Child Support Enforcement, Low-Income Home Energy Assistance, CCDF Cluster, Foster Care, Adoption Assistance, and Social Services Block Grant major federal programs, and Reporting applicable to the Child Support Enforcement, CCDF Cluster, Foster Care, and Adoption Assistance major federal programs.

## **SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The fiscal year 2014 Schedule of Findings and Questioned Costs contains 35 findings related to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* or on the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133*, of which 16 were repeated from the fiscal year 2013 State of Ohio Single Audit.

The 34 A-133 findings, beginning on page 43, relate to the federal programs at 10 state agencies. Of these federal findings, many of which were rated as more than one type, seven resulted in questioned costs (some also included control deficiencies), 19 were noncompliance (some also included control deficiencies), 18 were identified as material weaknesses, and 12 were significant deficiencies. Of the seven findings with questioned costs, five questioned amounts totaling approximately \$35,600. Amounts could not be determined for the other two questioned cost findings.

State of Ohio  
 Fiscal Year 2014 State Single Audit  
 Executive Summary

The schedule below identifies the number of reportable items included in the State of Ohio Single Audit, by state agency, for fiscal year 2009 through 2014.

State Agency	2014	2013	2012	2011	2010	2009
Ohio Department. of Job & Family Services <small>Note 1</small>	9	16	20	28	27	26
Ohio Department of Medicaid <small>Note 1</small>	8	<small>Note 1</small>				
Ohio Department of Education	5	1	4	7	2	2
Ohio Department of Health	0	0	1	4	7	4
Ohio Development Services Agency <small>Note 2</small>	2	4	1	4	1	0
Ohio Department of Developmental Disabilities	2	1	0	2	1	0
Ohio Department of Mental Health & Addiction Services <small>Note 3</small>	3	3	3	5	4	1
Opportunities for Ohioans with Disabilities <small>Note 4</small>	0	1	2	2	0	1
Ohio Department of Public Safety	2	2	3	1	0	0
Ohio Office of Budget and Management	1	1	0	1	0	0
Ohio Administrative Knowledge System	0	0	0	1	1	0
Ohio Department of Transportation	1	1	1	1	0	3
Ohio Environmental Protection Agency	2	2	2	1	0	0
Other State Agencies	0	1	0	2	1	3
<b>Total</b>	<b>35</b>	<b>33</b>	<b>37</b>	<b>59</b>	<b>44</b>	<b>40</b>

Note 1 – the Ohio Department of Medicaid was newly created in 2014. In prior years, this activity was included as part of the Ohio Department of Job & Family Services.

Note 2 – name changed in 2013; formerly Ohio Department of Development.

Note 3 – in 2014, the Ohio Department of Mental Health and the Ohio Department of Alcohol & Addiction Services merged into one agency. The prior years' comments represent the count for both agencies.

Note 4 – name changed in 2014; formerly Ohio Rehabilitation Services Commission.

In addition to the comments included in this report, the State of Ohio and each state agency may receive a management letter which would include internal control and compliance deficiencies that do not rise to the level required for inclusion in this report. Those management letters are not part of this report.

**STATE OF OHIO  
JULY 1, 2013 THROUGH JUNE 30, 2014  
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

**The findings listed below represent items which are being reported in the *Independent Auditor's Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance Required by OMB Circular A-133.***

<b>AGENCY/COMMENTS</b>	<b>FINDING NUMBER</b>	<b>TYPE OF FINDING</b>	<b>PAGE REFERENCE</b>
<b>Ohio Office of Budget &amp; Management (OBM)</b>			
1. Federal Schedule – Various Programs	2014-004	Significant Deficiency	43
<b>Ohio Development Services Agency (DEV)</b>			
1. HEAP – Period of Availability	2014-005	Questioned Costs	46
2. HEAP – Cash Management	2014-006	Noncompliance/ Material Weakness	48
<b>Ohio Department of Developmental Disabilities (DMR)</b>			
1. Medicaid – Provider Certification and Reviews	2014-007	Noncompliance/ Material Weakness	50
2. Medicaid – Accreditation Reviews	2014-008	Noncompliance/ Material Weakness	52
<b>Ohio Department of Education (EDU)</b>			
1. Various Programs – Transparency Act Reporting	2014-009	Noncompliance/ Material Weakness	54
2. DUNS Numbers for Subawards	2014-010	Noncompliance/ Material Weakness	57
3. Cash Management	2014-011	Noncompliance/ Significant Deficiency	59
4. CACFP – Sponsor Reviews	2014-012	Noncompliance/ Significant Deficiency	61
5. Federal Schedule - Various Programs	2014-013	Significant Deficiency	63
<b>Ohio Environmental Protection Agency (EPA)</b>			
1. CWSRF & DWSRF – Invoice reviews	2014-014	Material Weakness	66
2. CWSRF & DWSRF – Cash Management Internal Controls	2014-015	Material Weakness	68
<b>Ohio Department of Job and Family Services (JFS)</b>			
1. IT – IEVS Due Dates and Result Code Errors	2014-016	Questioned Costs/ Noncompliance/ Material Weakness	70
2. SNAP Cluster – Incorrect Benefit Amount	2014-017	Questioned Costs	73
3. Child Care – Copayment Amounts	2014-018	Questioned Costs/ Significant Deficiency	75
4. Child Care Type B Homes – Various Counties	2014-019	Noncompliance/ Material Weakness	78
5. Reporting – CB-496 and OCSE-396A	2014-020	Noncompliance/ Material Weakness	81
6. SF-425 Reporting – Various Programs	2014-021	Noncompliance/ Material Weakness	84

**STATE OF OHIO  
JULY 1, 2013 THROUGH JUNE 30, 2014  
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
<b>Ohio Department of Job and Family Services (JFS) (Cont.)</b>			
7. Various Programs – Transparency Act Reporting	2014-022	Noncompliance/ Material Weakness	86
8. Various Programs – Cash Management	2014-023	Noncompliance/ Material Weakness	89
9. CCDF Cluster – Fraud Detection and Repayment Monitoring	2014-024	Significant Deficiency	92
<b>Ohio Department of Medicaid (MCD)</b>			
1. Medicaid/CHIP – Ineligible Recipients	2014-025	Questioned Costs/ Significant Deficiency	95
2. Medicaid/CHIP – Incorrect Benefit Amount	2014-026	Questioned Costs/ Significant Deficiency	99
3. IT – MITS – Claims Reimbursed in Excess of OAC Limits	2014-027	Questioned Costs	101
4. Medicaid/CHIP – Incomplete Consumer Complaint Population	2014-028	Noncompliance/ Material Weakness	104
5. IT – Lack of Formal Program Change Policy and Procedures	2014-029	Significant Deficiency	106
6. Medicaid – Federal Schedule	2014-030	Significant Deficiency	109
7. Medicaid & CHIP - SUR Limited Scope Reviews	2014-031	Significant Deficiency	111
<b>Ohio Department of Mental Health and Addiction Services (MHA)</b>			
1. SSBG – Transparency Act Reporting	2014-032	Noncompliance/ Material Weakness	113
2. DUNS Numbers for Subawards	2014-033	Noncompliance/ Material Weakness	115
3. SAPT – Late Report Submission	2014-034	Noncompliance/ Significant Deficiency	118
<b>Ohio Department of Public Safety (DPS)</b>			
1. Subrecipient Monitoring	2014-035	Noncompliance	120
2. Federal Transparency Act - Subaward Reporting	2014-036	Material Weakness	122
<b>Ohio Department of Transportation (DOT)</b>			
1. Highway Planning & Construction Cluster – Transparency Act Reporting	2014-037	Noncompliance/ Material Weakness	124

**The findings listed below are also reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.**

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
<b>Ohio Department of Medicaid (MCD)</b>			
1. IT – Lack of Formal Program Change Policy and Procedures	2014-001	Significant Deficiency	31

**STATE OF OHIO  
JULY 1, 2013 THROUGH JUNE 30, 2014  
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The findings listed below represent other issues related to Findings for Recovery (FFR). They do not impact the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* or the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by *OMB Circular A-133*.

<b>AGENCY/COMMENTS</b>	<b>FINDING NUMBER</b>	<b>TYPE OF FINDING</b>	<b>PAGE REFERENCE</b>
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<b>Ohio Department of Education (EDU)</b>			
1. Finding For Recovery – Sunrise Academy	2014-002	FFR	32
2. Finding For Recovery – Directional Academy	2014-003	FFR	33

**STATE OF OHIO  
 JULY 1, 2013 THROUGH JUNE 30, 2014  
 SUMMARY OF QUESTIONED COSTS BY FEDERAL AGENCY AND PROGRAM**

<u>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</u>	<u>PAGE NUMBER(S)</u>	<u>QUESTIONED COSTS</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
10.551 / 10.561 – SNAP Cluster	73 *	\$258
<b>Total U.S. Department of Agriculture</b>		<u>\$258</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
93.568 - Low-Income Home Energy Assistance	46	\$2,977
93.575 / 93.596 – CCDF Cluster	75	\$82
93.767 – Children’s Health Insurance Program	95, 99, *	\$31,705
93.775 / 93.777 / 93.778 – Medicaid Cluster	95, 99, *	<u>\$577</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>\$35,341</u>
<b>TOTAL QUESTIONED COSTS - STATE OF OHIO</b>		<u><b>\$35,599</b></u>

Note: \* Finding number 2014-016 on page 70, and 2014-027 on page 101 reported questioned costs for which the amounts could not be determined.