

EXECUTIVE SUMMARY 2015 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, 2015. 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, 2015, 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. Our opinion letter, dated December 22, 2015, was provided to the Office of Budget and Management who released it, along with the CAFR, under separate cover. The State of Ohio CAFR 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 were two material weaknesses, but no noncompliance or significant deficiencies, required to be reported in this letter for the fiscal year ended June 30, 2015.

We also identified one finding for recovery that will be included in this document, but which did 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 utilized for the June 30, 2015 audit are set forth in U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The federal government has also issued the new federal SuperCircular, also known as Uniform Guidance. The purpose of the new requirements is to help reduce the administrative burden and strengthen oversight of federal funds to reduce the risk of fraud, waste, and abuse. This guidance makes grant requirements similar across all types of grant recipients and all federal agencies and aims to eliminate duplicative language, and to clarify where grant policies are different across entity types. The *Administrative Requirements and Cost Principles* portion of the changes apply to new awards and to additional funding to existing awards (funding increments) made after December 26, 2014. Existing federal awards continued to be governed by the terms and conditions of the federal award. Therefore, these changes did not have a significant impact on our FY 2015 testing, but are expected to be applicable for the June 30, 2016 audit, along with changes related to *Audit Requirements*.

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 20, the State administered 339 federal programs from 23 Federal agencies with total federal expenditures of \$26.6 billion in fiscal year 2015.

State of Ohio
Fiscal Year 2015 State Single Audit
Executive Summary

Of the \$26.6 billion, the State disbursed \$71.4 million in funding related to the American Recovery and Reinvestment Act (ARRA) of 2009. This compares to \$519 million of ARRA funds disbursed in FY 2014, \$1 billion 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 2015, Type A federal programs for the State of Ohio were those programs with annual federal expenditures exceeding \$39.9 million. There were 30 programs at or above this amount. Type B programs were those programs with annual federal expenditures exceeding \$8.0 million, but less than \$39.9 million. There were 30 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 five high-risk Type B programs as major programs in fiscal year 2015.

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 Cluster, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), Foster Care, Adoption Assistance, Social Services Block Grant, Child Care Cluster, Child Support Enforcement, and Supplemental Nutrition Assistance Program (SNAP) federal programs. The related county federal schedules will report expenditures for all disbursements made at the county level. However, for the Medicaid, CHIP, TANF (Ohio Works First portion), Adoption Assistance, CCDF 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 \$3.4 billion in fiscal year 2015, 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 30 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 eight of our audit findings, we qualified our opinion on compliance related to Cash Management applicable to the Low-Income Home Energy Assistance, Medicaid Cluster, and Children's Health Insurance Program major federal programs; Eligibility applicable to the Special Education Cluster, Improving Teacher Quality State Grants, and CCDF Cluster major federal programs; Reporting applicable to the Child Support Enforcement and Foster Care major federal program; and Special Tests and Provisions applicable to the Special Education Cluster and CCDF Cluster major federal programs.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

The fiscal year 2015 Schedule of Findings and Questioned Costs contains 34 findings; two related to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, 31 related to 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 2014 State of Ohio Single Audit, and one other item related to a finding for recovery.

The 31 A-133 findings, beginning on page 41, relate to the federal programs at 10 state agencies. Of these federal findings, many of which were rated as more than one type, six resulted in questioned costs (some also included control deficiencies), 14 were noncompliance (some also included control deficiencies), 24 were identified as material weaknesses, and seven were significant deficiencies. Of the six findings with questioned costs, five questioned amounts totaling approximately \$8,024,200. Amounts could not be determined for one questioned cost finding.

The schedule below identifies the number of reportable items included in the State of Ohio Single Audit, by state agency, for fiscal year 2010 through 2015.

State Agency	2015	2014	2013	2012	2011	2010
Ohio Department. of Job & Family Services <small>Note 1</small>	12	9	16	20	28	27
Ohio Department of Medicaid <small>Note 1</small>	3	8	<small>Note 1</small>	<small>Note 1</small>	<small>Note 1</small>	<small>Note 1</small>
Ohio Department of Education	10	5	1	4	7	2
Ohio Department of Health	0	0	0	1	4	7
Ohio Development Services Agency <small>Note 2</small>	1	2	4	1	4	1
Ohio Department of Developmental Disabilities	1	2	1	0	2	1
Ohio Department of Mental Health & Addiction Services <small>Note 3</small>	1	3	3	3	5	4
Opportunities for Ohioans with Disabilities <small>Note 4</small>	0	0	1	2	2	0
Ohio Department of Public Safety	0	2	2	3	1	0
Ohio Office of Budget and Management	2	1	1	0	1	0
Ohio Administrative Knowledge System	0	0	0	0	1	1
Ohio Department of Transportation	1	1	1	1	1	0
Ohio Environmental Protection Agency	1	2	2	2	1	0
Other State Agencies	2	0	1	0	2	1
Total	34	35	33	37	59	44

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, 2014 THROUGH JUNE 30, 2015
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.*

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Office of Budget & Management (OBM)			
1. Federal Schedule – Various Programs	2015-004	Material Weakness	41
Ohio Development Services Agency (DEV)			
1. HEAP – Cash Management	2015-005	Noncompliance/ Material Weakness	43
Ohio Development of Developmental Disabilities (DMR)			
1. IT – Inappropriate Access to Administrator Roles	2015-006	Material Weakness	45
Ohio Department of Education (EDU)			
1. Improving Teacher Quality – Misallocations to Local Educational Agencies	2015-007	Questioned Costs/ Noncompliance/ Material Weakness	46
2. Special Education Cluster -- Misallocations to Local Educational Agencies	2015-008	Questioned Costs/ Noncompliance/ Material Weakness	47
3. DUNS Numbers for Subawards	2015-009	Noncompliance/ Material Weakness	50
4. Subrecipient Cash Management – Various Programs	2015-010	Noncompliance/ Material Weakness	51
5. CACFP – Sponsor Reviews	2015-011	Noncompliance/ Significant Deficiency	53
6. MOE Determination Controls – Various Programs	2015-012	Material Weakness	54
7. CNC – Reporting	2015-013	Material Weakness	55
8. Career & Technical Education – Procurement	2015-014	Material Weakness	56
9. Federal Schedule – CNC & CACFP	2015-015	Material Weakness	57
10. Career & Technical Education - Administrative Level of Effort	2015-016	Significant Deficiency	59
Ohio Environmental Protection Agency (EPA)			
1. CWSRF & DWSRF – Invoice reviews	2015-017	Material Weakness	61
Ohio Department of Job and Family Services (JFS)			
1. SNAP Cluster – Ineligible Recipients	2015-018	Questioned Costs	63
2. Unemployment Insurance – Period of Availability	2015-019	Questioned Costs	64
3. CCDF Cluster – Copayment Amounts	2015-020	Questioned Costs/ Noncompliance/ Material Weakness	66
4. IT – IEVS Due Dates and Result Code Errors	2015-021	Noncompliance/ Material Weakness	68

**STATE OF OHIO
JULY 1, 2014 THROUGH JUNE 30, 2015
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Job and Family Services (JFS) (Cont.)			
5. SNAP Cluster & TANF Cluster – Eligibility Documentation	2015-022	Noncompliance/ Material Weakness/ Significant Deficiency	70
6. CCDF Cluster – Type B Home Inspections	2015-023	Noncompliance/ Material Weakness	71
7. CCDF Cluster – Type B Home Licenses	2015-024	Noncompliance/ Material Weakness	73
8. CCDF Cluster – Type A Homes/Centers	2015-025	Noncompliance/ Material Weakness	74
9. Reporting – Various Programs	2015-026	Noncompliance/ Material Weakness	76
10. Cash Management – Adoption Assistance & Social Services Block Grant	2015-027	Noncompliance/ Significant Deficiency	79
11. Child Support Enforcement – Coding Errors	2015-028	Significant Deficiency	80
Ohio Department of Medicaid (MCD)			
1. Medicaid & CHIP – Ineligible Recipients	2015-029	Questioned Costs/ Significant Deficiency	82
2. Cash Management – Various Programs	2015-030	Noncompliance/ Material Weakness/ Significant Deficiency	83
3. Federal Schedule – Money Follows the Person	2015-031	Material Weakness	85
Ohio Department of Mental Health and Addiction Services (MHA)			
1. DUNS Numbers for Subawards	2015-032	Noncompliance/ Material Weakness	87
Ohio Department of Transportation (DOT)			
1. Highway Planning & Construction Cluster – Wage Rate Requirements	2015-033	Material Weakness	89
Ohio Department of Veterans Services (DVS)			
1. Federal Schedule – Veterans State Nursing Home Care	2015-034	Material Weakness	90

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
Ohio Office of Budget & Management (OBM)			
1. Financial Reporting – Intergovernmental Payables Misclassification	2015-001	Material Weakness	27
Ohio Department of Job & Family Services (JFS)			
1. Unemployment Compensation Fund – GRP Misstatement	2015-002	Material Weakness	29

**STATE OF OHIO
JULY 1, 2014 THROUGH JUNE 30, 2015
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The finding listed below represents other issues related to a Finding for Recovery (FFR). It does 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*.

AGENCY/COMMENT	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Retirement Study Council (RET)			
1. Finding for Recovery Repaid Under Audit – Payroll Overpayment	2015-003	FFR	31

**STATE OF OHIO
 JULY 1, 2014 THROUGH JUNE 30, 2015
 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>
<u>U.S. DEPARTMENT OF LABOR</u>		
17.225 – Unemployment Insurance	64	\$23,246
Total U.S. Department of Labor		<u>\$23,246</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
10.551 / 10.561 – SNAP Cluster	63	\$31,476
Total U.S. Department of Agriculture		<u>\$31,476</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
84.367 – Improving Teacher Quality State Grants	46	\$7,933,274
84.027 / 84.173 – Special Education Cluster (IDEA)	47*	Undetermined
Total U.S. Department of Education		<u>\$7,933,274</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
93.575 / 93.596 – CCDF Cluster	66	\$5,860
93.767 – Children’s Health Insurance Program	82	\$21,121
93.775 / 93.777 / 93.778 – Medicaid Cluster	82	\$9,223
Total U.S. Department of Health and Human Services		<u>\$36,204</u>
TOTAL QUESTIONED COSTS - STATE OF OHIO		<u>\$8,024,200</u>

Note: * Finding number 2015-008 on page 47 reported questioned costs for which the amounts could not be determined.

STATE OF OHIO
STATUS OF PRIOR YEAR (2014) FINDINGS AND QUESTIONED COSTS
JULY 1, 2014 THROUGH JUNE 30, 2015

AGENCY/COMMENTS	Finding Number	Type of Finding	Type of Finding in FY15 if different than FY14	Resolved	Repeated Finding #	No Longer Reportable
Ohio Department of Medicaid (MCD)						
1. IT - Lack of Formal Program Change Policies and Procedures	2014-001-MCD-05	Significant Deficiency		X-partially resolved	X- verbal	
Ohio Department of Education (EDU)						
1. Finding for Recovery - Sunrise Academy	2014-002-EDU-006	Finding for Recovery		X		
2. Finding for Recovery - Directional Academy	2014-003-EDU-007	Finding for Recovery		X		
Ohio Office of Budget and Management (OBM)						
1. Federal Schedule - Various Programs	2014-004-OBM-01	Significant Deficiency	Material Weakness		2015-004	
Ohio Department of Development Services Agency (DEV)						
1. HEAP - Period of Availability	2014-005-DEV-01	Questioned Costs		X		
2. HEAP - Cash Management	2014-006-DEV-02	Noncompliance/ Material Weakness			2015-005	
Ohio Department of Developmental Disabilities (DMR)						
1. Medicaid - Provider Certification and Reviews	2014-007-DMR-01	Noncompliance/ Material Weakness		X		
2. Medicaid - Accreditation Reviews	2014-008-DMR-02	Noncompliance/ Material Weakness		X		
Ohio Department of Education (EDU)						
1. Various Programs - Transparency Act Reporting	2014-009-EDU-01	Noncompliance/ Material Weakness				X
2. DUNS Number for Subawards	2014-010-EDU-02	Noncompliance/ Material Weakness			2015-009	
3. Cash Management	2014-011-EDU-03	Noncompliance/ Significant Deficiency		X		
4. CACFP - Sponsor Reviews	2014-012-EDU-04	Noncompliance/ Significant Deficiency			2015-011	
5. Federal Schedule - Various Programs	2014-013-EDU-05	Significant Deficiency	Material Weakness		2015-015	
Ohio Environmental Protection Agency (EPA)						
1. CWSRF & DWSRF - Invoice Reviews	2014-014-EPA-01	Material Weakness			2015-017	
2. CWSRF & DWSRF - Cash Management Internal Controls	2014-015-EPA-02	Material Weakness		X		
Ohio Department of Job and Family Services (JFS)						
1. IT - IEVS Due Dates and Result Code Errors	2014-016-JFS-01	Questioned Costs/ Noncompliance/ Material Weakness	Noncompliance/ Material Weakness		2015-021	
2. SNAP Cluster - Incorrect Benefit Amount	2014-017-JFS-02	Questioned Costs	Noncompliance/ Material Weakness		2015-022	
3. Child Care - Copayment Amounts	2014-018-JFS-03	Questioned Costs/ Significant Deficiency	Questioned Costs/ Noncompliance/ Material Weakness		2015-020	
4. Child Care Type B Homes - Various Counties	2014-019-JFS-04	Noncompliance/ Material Weakness			2015-023/ 2015-024	
5. Reporting - CB-496 and OCSE-396A	2014-020-JFS-05	Noncompliance/ Material Weakness			2015-026	
6. SF-425 Reporting - Various Programs	2014-021-JFS-06	Noncompliance/ Material Weakness			2015-026	
7. Various Programs - Transparency Act Reporting	2014-022-JFS-07	Noncompliance/ Material Weakness		X		
8. Various Programs - Cash Management	2014-023-JFS-08	Noncompliance/ Material Weakness			2015-027	
9. CCDF Cluster - Fraud Detection and Repayment Monitoring	2014-024-JFS-09	Significant Deficiency		X		
Ohio Department of Medicaid (MCD)						
1. Medicaid/CHIP - Ineligible Recipients	2014-025-MCD-01	Questioned Costs/ Significant Deficiency			2015-029	
2. Medicaid/CHIP - Incorrect Benefit Amount	2014-026-MCD-02	Questioned Costs/ Significant Deficiency			X- verbal	
3. IT - MITS - Claims Reimbursed in Excess of OAC Limits	2014-027-MCD-03	Questioned Costs		X		
4. Medicaid/CHIP - Incomplete Consumer Complaint Population	2014-028-MCD-04	Noncompliance/ Material Weakness		X		
5. IT - Lack of Formal Program Change Policy and Procedures	2014-029-MCD-05	Significant Deficiency		X-partially resolved	X- verbal	
6. Medicaid - Federal Schedule	2014-030-MCD-06	Significant Deficiency	Material Weakness	X-partially resolved	2015-031	
7. Medicaid & CHIP - SUR Limited Scope Reviews	2014-031-MCD-07	Significant Deficiency		X		
Ohio Department of Mental Health and Addiction Services (MHA)						
1. SSBG - Transparency Act Reporting	2014-032-MHA-01	Noncompliance/ Material Weakness				X
2. DUNS Numbers for Subawards	2014-033-MHA-02	Noncompliance/ Material Weakness			2015-031	
3. SAPT - Late Report Submission	2014-034-MHA-03	Noncompliance/ Significant Deficiency		X		
Ohio Department of Public Safety (DPS)						
1. Subrecipient Monitoring	2014-035-DPS-01	Noncompliance		X		
2. Federal Transparency Act - Subaward Monitoring	2014-036-DPS-02	Material Weakness		X		
Ohio Department of Transportation (DOT)						
1. Highway Planning & Construction Cluster - Transparency Act Reporting	2014-037-DOT-01	Noncompliance/ Material Weakness		X		