

EXECUTIVE SUMMARY
2013 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 fiscal year (FY) ended June 30, 2013. For four of the 10 opinion units, our opinion is based on audits performed by independent accounting firms under contract with the Auditor of State. The remaining six opinion unit audits are performed by audit staff of the Auditor of State. This information is described on page 1 in our Independent Auditors' Report.

We audited the basic financial statements of the State of Ohio as of and for the period ended June 30, 2013, 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*. There were no noncompliance, material weaknesses, or significant deficiencies required to be reported in this letter for the fiscal year ended June 30, 2013.

In addition, we identified two findings for recovery that will be included in our report, but which do not have an impact on Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*. Or on the *Independent Auditors' 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 23, the State administered 368 federal programs from 24 Federal agencies with total federal expenditures of \$24.7 billion in fiscal year 2013. Of the \$24.7 billion, the State disbursed \$1 billion in funding as a result of the American Recovery and Reinvestment Act (ARRA) of 2009. This compares to \$1.6 billion of ARRA funds disbursed in FY 2012 and \$5.5 billion disbursed in FY 2011.

The Schedule is used for identifying Type A and Type B programs. For fiscal year 2013, Type A federal programs for the State of Ohio were those programs with annual federal expenditures exceeding \$37 million. There were 31 programs at or above this amount. Type B programs were those programs with annual federal expenditures exceeding \$7.4 million, but less than \$37 million. There were 36 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 29 Type A programs and two high-risk Type B programs as major programs in fiscal year 2013. In addition, another Type B program was tested due to an issue raised by the United States Department of Health and Human Services and the reporting of a FY 11 single audit finding.

Included in the Schedule are monies paid by the Ohio Department of Job & Family Services 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 only limited functions and maintained case records to support benefits paid by the Ohio Department of Job & Family Services related to these programs. We selected five of 88 counties and performed testing related to the specific county level activities for these five 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 \$3.8 billion in fiscal year 2013, 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 Auditors' 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 32 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 three of our audit findings, we qualified our opinion on compliance related to Special Tests and Provisions applicable to its Substance Abuse Prevention and Treatment Program, Subrecipient Monitoring applicable to its Highway Safety Cluster program, and Suspension and Debarment applicable to its Low Income Home Energy Assistance Program.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

The fiscal year 2013 Schedule of Findings and Questioned Costs contains 33 findings of which 20 were repeated from the fiscal year 2012 State of Ohio Single Audit.

The 33 A-133 findings, beginning on page 45, relate to the federal programs at 11 state agencies. Of these federal findings, many of which were rated as more than one type, 11 resulted in questioned costs (some also included control deficiencies), 17 were noncompliance (some also included control deficiencies), 17 were identified as material weaknesses, and 14 were significant deficiencies. Of the 11 findings with questioned costs, nine questioned amounts totaling more than \$859,000. Amounts could not be determined for the other two questioned cost findings.

The schedule below identifies the number of reportable items included in the State of Ohio Single Audit, by state agency, from fiscal year 2008 through 2013.

State of Ohio
 Fiscal Year 13 State Single Audit
 Executive Summary

State Agency	2013	2012	2011	2010	2009	2008
Ohio Dept. of Job & Family Services	16	20	28	27	26	30
Ohio Department of Education	1	4	7	2	2	2
Ohio Department of Health	0	1	4	7	4	6
Ohio Development Services Agency (formerly Ohio Department of Development)	4	1	4	1	0	1
Ohio Dept. of Alcohol & Drug Addiction	3	2	3	2	0	0
Ohio Dept. of Developmental Disabilities	1	0	2	1	0	0
Ohio Department of Mental Health	0	1	2	2	1	1
Ohio Rehabilitation Services Commission	1	2	2	0	1	2
Ohio Department of Public Safety	2	3	1	N/A	0	4
Ohio Office of Budget and Management	1	0	1	0	0	4
Ohio Administrative Knowledge System	0	0	1	1	0	4
Ohio Dept. of Transportation	1	1	1	0	3	1
Other State Agencies	3	2	3	1	3	0
Total	33	37	59	44	40	55

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, 2012 THROUGH JUNE 30, 2013
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The findings listed below represent items which are being reported in the *Independent Auditors' 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 Department of Alcohol and Drug Addiction Services (ADA)			
1. SAPT - Subrecipient Monitoring	2013-003	Noncompliance/ Material Weakness	45
2. SAPT - Independent Peer Reviews	2013-004	Noncompliance/ Material Weakness	48
3. SAPT - Cash Management	2013-005	Noncompliance/ Significant Deficiency	50
Ohio Attorney General (AGO)			
1. Medicaid Fraud Control Unit - Case Management	2013-006	Significant Deficiency	52
Ohio Office of Budget & Management (OBM)			
1. Federal Schedule - Various Programs	2013-007	Significant Deficiency	54
Ohio Development Services Agency (DEV)			
1. HEAP - Period of Availability	2013-008	Questioned Costs	57
2. HEAP - Eligibility	2013-009	Questioned Costs/ Significant Deficiency	59
3. Suspension and Debarment	2013-010	Noncompliance/ Significant Deficiency	61
4. Inspections - HWAP Program	2013-011	Noncompliance/ Material Weakness	62
Ohio Department of Developmental Disabilities (DDD)			
1. Medicaid - Provider Certification and Reviews	2013-012	Significant Deficiency	65
Ohio Department of Education (EDU)			
1. Various Programs – Transparency Act Reporting	2013-013	Noncompliance/ Material Weakness	67
Ohio Environmental Protection Agency (EPA)			
1. CWSRF & DWSRF - Invoice Reviews	2013-014	Questioned Costs/ Material Weakness	70
2. CWSRF & DWSRF – Subrecipient Monitoring	2013-015	Noncompliance/ Material Weakness	72
Ohio Department of Job & Family Services (JFS)			
1. Medicaid/CHIP - Managed Care	2013-016	Questioned Costs/ Material Weakness	75
2. Medicaid - Ineligible Recipient - CRIS-E/MITS Variances	2013-017	Questioned Costs/ Significant Deficiency	77
3. Medicaid/CHIP - Claim Service Date	2013-018	Questioned Costs	79
4. Medicaid/CHIP - Prior Authorization	2013-019	Questioned Costs/ Significant Deficiency	80
5. Child Care - Copayment Amounts	2013-020	Questioned Costs/ Significant Deficiency	82
6. Missing Eligibility Documentation - Various Counties	2013-021	Questioned Costs/ Significant Deficiency	84

**STATE OF OHIO
JULY 1, 2012 THROUGH JUNE 30, 2013
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Job & Family Services (JFS) (Cont.)			
7. IEVS - Due Dates and Result Code Errors	2013-022	Questioned Costs/ Material Weakness	87
8. MITS - Claims Reimbursed in Excess of OAC Limits	2013-023	Questioned Costs/ Significant Deficiency	90
9. Medicaid/CHIP - Provider Eligibility	2013-024	Noncompliance/ Material Weakness	93
10. CCDF - Type B Homes – Various Counties	2013-025	Noncompliance/ Material Weakness	96
11. Reporting - TANF ACF-196 & Foster Care CB-496	2013-026	Noncompliance/ Material Weakness	98
12. Various Programs - Transparency Act Reporting	2013-027	Noncompliance/ Material Weakness	100
13. Federal Schedule – Various Programs	2013-028	Noncompliance/ Material Weakness	103
14. Various Programs - Cash Management	2013-029	Noncompliance/ Significant Deficiency	105
15. Medicaid/CHIP - Long Term Care Provider Eligibility	2013-030	Noncompliance/ Significant Deficiency	107
16. Federal Revenue Controls	2013-031	Material Weakness/ Significant Deficiency	110
Ohio Department of Public Safety (DPS)			
1. Subrecipient Monitoring	2013-032	Noncompliance/ Material Weakness	112
2. Federal Transparency Act - Subaward Reporting	2013-033	Noncompliance/ Material Weakness	114
Ohio Rehabilitation Services Commission (RSC)			
1. Vocational Rehabilitation – Documentation of Eligibility	2013-034	Significant Deficiency	117
Ohio Department of Transportation (DOT)			
1. Federal Schedule - Highway Safety Cluster	2013-035	Noncompliance/ Material Weakness	119

The findings listed below represent other issues related to Findings for Recovery (FFR). They do not impact the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standard* or the *Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program 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. Finding For Recovery – Incorrect Leave Payout	2013-001	FFR	34
Ohio Department of Insurance (INS)			
1. Finding For Recovery – Incorrect Leave Payout	2013-002	FFR	35

**STATE OF OHIO
 JULY 1, 2012 THROUGH JUNE 30, 2013
 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 AGRICULTURE</u>		
10.551 / 10.561 – Supplemental Nutrition Assistance Program Cluster	87*	undetermined
Total U.S. Department of Agriculture		<u>undetermined</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>		
66.468 – Capitalization Grants for Drinking Water State Revolving Funds	70	\$71,035
Total U.S. Environmental Protection Agency		<u>\$71,035</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
93.568 - Low-Income Home Energy Assistance	57,59	\$349
93.575 / 93.596 – Child Care and Development Fund Cluster	82	\$890
93.767 – Children’s Health Insurance Program	75,79,90*	\$391,734
93.775 / 93.777 / 93.778 – Medicaid Cluster	75,77,79,80,84,90*	<u>\$395,318</u>
Total U.S. Department of Health and Human Services		<u>\$788,291</u>
TOTAL QUESTIONED COSTS - STATE OF OHIO		<u>\$859,326</u>

Note: * Finding number 2013-022 on page 87 and 2013-023 on page 90 reported questioned costs for which the amounts could not be determined.

STATE OF OHIO
STATUS OF PRIOR YEAR (2012) FINDINGS AND QUESTIONED COSTS
JULY 1, 2012 THROUGH JUNE 30, 2013

AGENCY/COMMENTS	Finding Number	Type of Finding	Type of Finding in FY13 if different than FY12	Resolved	Repeated Finding #	No Longer Reportable
Ohio Department of Alcohol and Drug Addiction Services (ADA)						
1. SAPT - Subrecipient Monitoring	2012-ADA01-001	Noncompliance/ Material Weakness			X (2013-003)	
2. SAPT – Reporting – Transparency Act	2012-ADA02-002	Noncompliance/ Material Weakness		X		
Ohio Department of Development (DEV)						
1. Inspections - HWAP Program	2012-DEV01-003	Noncompliance/ Material Weakness			X (2013-011)	
Ohio Department of Education (EDU)						
1. Various Programs - Earmarking	2012-EDU01-004	Questioned Costs/ Significant Deficiency		X		
2. Special Education Cluster - Period of Availability	2012-EDU02-005	Questioned Costs		X		
3. Various Programs – Transparency Act Reporting	2012-EDU03-006	Noncompliance/ Significant Deficiency	Noncompliance / Material Weakness		X (2013-013)	
4. Special Education Cluster – Maintenance of Effort Monitoring	2012-EDU04-007	Material Weakness			X - ML	
Ohio Environmental Protection Agency (EPA)						
1. CWSRF & DWSRF – Subrecipient Monitoring	2012-EPA01-008	Noncompliance/ Material Weakness			X (2013-015)	
2. CWSRF & DWSRF - Invoice Reviews	2012-EPA02-009	Significant Deficiency	Questioned Costs/ Material Weakness		X (2013-014)	
Ohio Department of Health (DOH)						
1. Cash Management	2012-DOH01-010	Noncompliance/ Material Weakness			X - ML	
Ohio Department of Job & Family Services (JFS)						
1. MITS - Claims Reimbursed in Excess of OAC Limits	2012-JFS01-011	Questioned Costs	Questioned Costs/ Significant Deficiency		X (2013-023)	
2. Medicaid/CHIP - Third Party Liability	2012-JFS02-012	Questioned Costs/ Material Weakness			X - ML	
3. Medicaid/CHIP - Managed Care	2012-JFS03-013	Questioned Costs/ Material Weakness			X (2013-016)	
4. Medicaid/CHIP – Intrastate Transfer Vouchers	2012-JFS04-014	Questioned Costs/ Material Weakness			X - ML	
5. CCDF Cluster - Franklin County	2012-JFS05-015	Questioned Costs		X		
6. Missing Eligibility Documentation - Various Counties	2012-JFS06-016	Questioned Costs/ Material Weakness	Questioned Costs/ Significant Deficiency		X (2013-021)	
7. Child Care - Copayment Amounts	2012-JFS07-017	Questioned Costs/ Significant Deficiency			X (2013-020)	
8. Medicaid - Ineligible Recipients - CRIS-E/MITS Variances	2012-JFS08-018	Questioned Costs/ Significant Deficiency			X (2013-017)	
9. Medicaid - Claim Service Date	2012-JFS09-019	Questioned Costs			X (2013-018)	
10. IEVS - Due Dates	2012-JFS10-020	Questioned Costs/ Material Weakness			X (2013-022)	
11. Medicaid/CHIP - Provider Eligibility	2012-JFS11-021	Noncompliance/ Material Weakness			X (2013-024)	
12. CCDF - Type B Homes – Various Counties	2012-JFS12-022	Noncompliance/ Material Weakness			X (2013-025)	

STATE OF OHIO
STATUS OF PRIOR YEAR (2012) FINDINGS AND QUESTIONED COSTS
JULY 1, 2012 THROUGH JUNE 30, 2013

AGENCY/COMMENTS	Finding Number	Type of Finding	Type of Finding in FY13 if different than FY12	Resolved	Repeated Finding #	No Longer Reportable
13. Medicaid/CHIP - Long Term Care Provider Eligibility	2012-JFS13-023	Noncompliance/ Significant Deficiency			X (2013-030)	
14. Various Programs - Transparency Act Reporting	2012-JFS14-024	Noncompliance/ Significant Deficiency			X (2013-027)	
15. IT - All Applications - Lack of Internal Testing of Automated Controls	2012-JFS15-025	Material Weakness		X		
16. Various Programs - County Finance Documentation and Procedures	2012-JFS16-026	Material Weakness		X		
17. Unemployment Insurance - Reporting	2012-JFS17-027	Material Weakness			X - ML	
18. Federal Revenue Controls	2012-JFS18-028	Significant Deficiency	Material Weakness		X (2013-031)	
19. Medicaid/CHIP – Claims Processing and Reconciliation Internal Controls	2012-JFS19-029	Significant Deficiency			X - ML	
20. IT – MITS – Audit Documentation Delays	2012-JFS20-030	Significant Deficiency		X		
Ohio Department of Mental Health (DMH)						
1. Subrecipient Monitoring	2012-DMH01-031	Noncompliance/ Material Weakness			X - ML	
Ohio Department of Public Safety (DPS)						
1. Subrecipient Monitoring	2012-DPS01-032	Noncompliance/ Material Weakness			X (2013-032)	
2. Highway Safety Cluster – Matching and Level of Effort	2012-DPS02-033	Noncompliance/ Material Weakness		X		
3. Federal Transparency Act - Subaward Reporting	2012-DPS03-034	Noncompliance/ Material Weakness			X (2013-033)	
Ohio Rehabilitation Services Commission (RSC)						
1. Vocational Rehab. & Social Security Disability Ins.–Cash Management	2012-RSC01-035	Noncompliance/ Material Weakness			X - ML	
2. Vocational Rehabilitation – Determination of Eligibility	2012-RSC02-036	Noncompliance/ Significant Deficiency	Significant Deficiency	X (partially)	X (2013-034)	
Ohio Department of Transportation (DOT)						
1. Davis-Bacon Act – Internal Controls	2012-DOT01-037	Material Weakness			X - ML	