

# Medina County Board of Developmental Disabilities

## Performance Audit Summary

### WHAT WE LOOKED AT

At the request of the board members, this audit reviewed MCBDD's finances, service and support administration, and overall human resources. The goal of this audit was to provide the Board with information and guidance to ensure the continued fiscal health of the organization. In particular, the audit focused on the Board's efforts to adjust to new state and federal requirements related to financial reporting and service delivery.

### WHAT WE FOUND

The Board appears to be in good fiscal health and maintains positive general fund balances. The ending cash balance of the general operating fund for FY 2021 was approximately \$17.6 million, which would cover 81 percent of annual expenditures. The Board also maintained nearly \$14.4 million in its non-operational funds, including capital and reserve accounts, at the end of FY 2021. Carrying substantial fund balances is not uncommon for county boards of developmental disabilities in Ohio, and we found that, in FY 2021, the majority of county boards in Ohio had an ending fund balance that covered more than 100 percent of annual expenditures. Based on information available from the Ohio Department of Developmental Disabilities, the Board also has shown that it can accurately project future revenues and expenditures, through the submission of annual financial forecasts.

With changes to federal reimbursement procedures, the Board is working to comply with conflict-free management requirements. We found a variety of areas that should be monitored as the Board continues to adjust to these changes. Our audit resulted in four recommendations which will assist the Board in future decision making. In addition, we found that the Board, and other county boards, would benefit from improved guidance from DODD. As a result, our audit issued one recommendation and two issues for further study directly to DODD in support of the county boards of developmental disabilities.

### KEY OBSERVATIONS

**Key Observation 1:** The Ohio Department of Developmental Disabilities requires that each county board submit an annual financial forecast. A cost projection tool, which helps to estimate revenues and expenditures in a county board's general fund, is used for this purpose. We found that, based on available data, MCBDD has more accurate revenue and expenditure projections compared to the peer averages.

**Key Observation 2:** After a thorough analysis of salary data, we found that the salaries paid by MCBDD are in a similar range as those provided by the peers.

**Key Observation 3:** We reviewed the Board’s collective bargaining agreements and compared the benefits that have been agreed upon to those contained in the peer collective bargaining agreements. We found that the cost of the benefits provided by MCBDD are in-line with, or in some cases less than, the cost of the benefits provided by peers.

## SUMMARY OF RECOMMENDATIONS

**Recommendation 1:** MCBDD, like most county boards of developmental disabilities, has a large cash balance in its general fund; however, this balance is in-line with its operational peers and the statewide average based on the Board’s annual expenditures. Having a positive account balance is fiscally responsible as it ensures that future expenditures can be met in the event of a reduction in revenues. Although MCBDD currently has a fund balance that is in-line with the peer and state average, it does not have an official cash balance policy indicating a minimal balance that should be maintained. A minimum balance policy should be established that considers the current operational needs of MCBDD. In addition, such a policy must consider and identify adequate reserve balances that would allow the Board to continue to provide critical services during times of financial insecurity due to disruptions to expected revenue streams or unforeseen increases in expenditures.

**Recommendation 2:** ORC § 5126.053 requires that each county board annually submit to DODD a five-year projection of revenues and expenditures, with the first forecast having been submitted in April, 2020. DODD has provided a forecasting tool that is used by each county board; however, during our comparative analysis between MCBDD and its operational peers, we found that there was variation in how the forecasts are prepared. DODD should incorporate best practices from other statewide forecasting tools and provide additional guidance to county boards to improve the accuracy and standardization of these forecast documents. Some practices that could be adopted include clearly communicating uniform category definitions to all county boards, providing standard assumptions, and identifying how to calculate expenditures on a per capita basis.

**Issue for Further Study 1:** County boards of developmental disabilities are allowed to maintain funds in non-operational accounts for specific purposes. These account types, and their purpose, are outlined in ORC § 5705.222. This law contains language regarding how to calculate the maximum allowable account balance, however this language is subject to multiple interpretations. The Ohio County Commissioners Association should work with the Ohio Association of County Boards of Developmental Disabilities and DODD to seek out clarification on how to interpret the current language regarding account balance limits for non-operational accounts that are maintained by county boards.

**Recommendation 3:** MCBDD's Targeted Case Management (TCM) rate is high among operational peers, which leads to more cost responsibility for the county board of developmental disabilities. MCBDD should reduce its TCM rate by reducing General Expenses within Indirect/Overhead and increasing recorded SSA units per case manager, to the peer average values.

**Issue for Further Study 2:** The federal reimbursement for Targeted Case Management is distributed in two payments. The second payment can take years to process. A payment delay interrupts the natural feedback loop of lowering TCM rates, and inconsistent payment timing creates budgeting challenges for county boards of developmental disabilities. DODD should review internal processes relating to the processing and payment of these reimbursement settlements and determine what steps should be taken to ensure more timely payments are made in the future.

**Recommendation 4:** MCBDD spends more on health insurance premiums for its employees compared to its regional peers. The Board has regularly reviewed insurance options to determine if it can reduce expenditures in this area but has determined that the existing insurance structure best fits its needs. MCBDD should continue to regularly review options to reduce insurance related expenditures which could include seeking out alternative plans, moving employees to a lower cost plan currently offered by the Board, or raising the employee share of premium costs.

**Recommendation 5:** MCBDD must change how services are provided due to changes in federal law and a focus on conflict-free case management practices. During this transition, the Board may determine that it requires fewer positions to carry out core functions. MCBDD should continue monitoring staffing levels to ensure that it is able to continue to provide appropriate services to its clients at an efficient level.