

OFFICE OF THE OHIO ATTORNEY GENERAL
Columbus, Ohio

Schedule of Expenditures of Federal Awards and
Related Independent Auditors' Reports
In Accordance With Government Auditing
Standards and the Program-Specific
Audit Option Under OMB Circular A-133

For the year ended June 30, 2003



**Auditor of State
Betty Montgomery**

Office of the Ohio Attorney General
30 East Broad Street, 15th Floor
Columbus, Ohio 43215

We have reviewed the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the Program-Specific Audit Option Under OMB Circular A-133 and the Independent Auditor's Report on Schedule of Expenditures of Federal Awards of the Office of the Ohio Attorney General, Franklin County, prepared by Schneider Downs & Company, Inc., for the audit period July 1, 2002 to June 30, 2003. 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 statement 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 Office of the Ohio Attorney General is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 13, 2004

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE PROGRAM-SPECIFIC
AUDIT OPTION UNDER OMB CIRCULAR A-133

Office of the Ohio Attorney General
Columbus, Ohio

Compliance

We have audited the compliance of the Office of the Ohio Attorney General (Attorney General) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Byrne Formula Grant Program (CFDA 16.579) and the State Medicaid Fraud Control Unit (CFDA 93.775) for the year ended June 30, 2003. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Attorney General's management. Our responsibility is to express an opinion on the Attorney General's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Byrne Formula Grant Program and State Medicaid Fraud Control Unit occurred. An audit includes examining, on a test basis, evidence about the Attorney General'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. Our audit does not provide a legal determination of the Attorney General's compliance with those requirements.

In our opinion, the Attorney General complied, in all material respects, with the requirements referred to above that are applicable to the Byrne Formula Grant Program and the State Medicaid Fraud Control Unit for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Attorney General is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Attorney General's internal control over compliance with requirements that could have a direct and material effect on the Byrne Formula Grant Program and the State Medicaid Fraud Control Unit in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State of Ohio Office of the Auditor, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Columbus, Ohio
December 19, 2003

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Office of the Ohio Attorney General
Columbus, Ohio

We have audited the accompanying Schedule of Expenditures of Federal Awards for the Byrne Formula Grant Program (CFDA 16.579) and the State Medicaid Fraud Control Unit (CFDA 93.775) of the Office of the Ohio Attorney General (Attorney General) for the year ended June 30, 2003. This financial statement is the responsibility of the Attorney General's management. Our responsibility is to express an opinion on the financial statement of the programs based on our audit.

We conducted our audit 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Byrne Formula Grant Program and State Medicaid Fraud Control Unit on the basis of accounting described in Note 1.



Columbus, Ohio
December 19, 2003

OFFICE OF THE OHIO ATTORNEY GENERAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| MAJOR PROGRAMS | | |
| <u>U.S. Department of Justice</u> | | |
| Pass-through from Ohio Department of Job and Family Services | | |
| Byrne Formula Grant Program | 16.579 | \$ 956,319 |
| <u>U.S. Department of Health and Human Services</u> | | |
| Pass-through from Office of Criminal Justice Services | | |
| State Medicaid Fraud Control Unit | 93.775 | <u>2,250,942</u> |
| Total Expenditures of Federal Awards | | <u>\$ 3,207,261</u> |

See Independent Auditors' Report and note to schedule of expenditures of federal awards.

OFFICE OF THE OHIO ATTORNEY GENERAL

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Office of the Ohio Attorney General and is presented on the cash basis of accounting, and accordingly, represents the total cash expended for the Byrne Formula Grant Program and State Medicaid Fraud Control Unit. It does not include transactions that might be included using the accrual basis of accounting contemplated by generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*.

OFFICE OF THE OHIO ATTORNEY GENERAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

SECTION I - SUMMARY OF AUDITORS' RESULTS

Federal Awards Section:

Internal Control Over Major Programs:

| | |
|--|---------------|
| Material weaknesses identified | No |
| Reportable conditions identified that are not considered to be material weaknesses | None Reported |
| Type of auditors' report issued on compliance for major programs: | Unqualified |
| Audit findings required to be reported in accordance with Section 501(a) of OMB Circular A-133 | None |

Identification of Major Programs:

CFDA NUMBER

FEDERAL PROGRAM TITLE

16.579

Byrne Formula Grant Program

93.775

State Medicaid Fraud
Control Unit

Dollar threshold to determine Type A programs:
Auditee qualified as a low-risk auditee

N/A
N/A

SECTION II - FINANCIAL STATEMENT FINDINGS

Not Applicable.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CURRENT YEAR

None.

OFFICE OF THE OHIO ATTORNEY GENERAL

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

EXPENDITURES MADE AFTER THE PERIOD OF AVAILABILITY
FINDING NUMBER: 2002-AGO01
CFDA NUMBER AND TITLE: 16.579 – BYRNE FORMULA GRANT
FEDERAL AGENCY: DEPARTMENT OF JUSTICE
QUESTIONED COSTS: \$14,934

28 CFR 66.23 States, in part:

- (a) Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period...
- (b) A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period... The Federal agency may extend this deadline at the request of the grantee.

During fiscal year 2002, the Attorney General's Office (AGO) disbursed approximately \$1,465,922 in federal funds related to the Byrne Formula Grant received via a pass-through agreement with the Office of Criminal Justice Services (CJS). The AGO used these monies to fund approximately eight projects related to this program. However, certain disbursements were not made within the award's period of availability. The Office disbursed \$14,934 from its Byrne Formula Grant Law Enforcement Enhancement Project, totaling \$523,944 during the period January 11, 2002 through March 26, 2002. The period of availability specified in the sub-grantee Award document from the Office of Criminal Justice Services for this project was from September 1, 2001 through September 30, 2001, and required liquidation by December 31, 2001. In addition, there was no indication that an extension of the available period had been requested or received.

Failure to liquidate its obligations within the time limits established by federal regulations and/or the grant agreement could subject the Office to fines, penalties and/or loss of federal funding. The Fiscal Officer indicated the payment of these funds beyond the available period was an oversight.

We recommend AGO personnel review grant project balances prior to the expiration of the availability period to determine if any unpaid obligations exist. If it appears obligations will not be liquidated within the required time frame, the AGO should submit a written request for an extension. We also recommend AGO management more closely monitor cash requests and subsequent expenditures to help ensure funds are spent within the grant's period of availability.

OFFICE OF THE OHIO ATTORNEY GENERAL

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

Management's Response:

In response to the audit finding, the Office of the Attorney General (AGO) filed a corrective action plan with the Office of Budget and Management (OBM) on January 10, 2003. The corrective action plan, in essence, indicated that the AGO would request a waiver from the Office of Criminal Justice Services (OCJS) in the amount of the questioned costs (\$14,934), as these funds were spent consistent with the mission of the Law Enforcement Enhancement Project Grant. The AGO further stated that in the event the waiver was not granted, the AGO would return the funds to the Office of Criminal Justice Services. The AGO also stated that it would take all necessary steps to more closely monitor cash requests and subsequent expenditures to ensure grant balances were liquidated prior to the expiration of the availability period in the future.

On April 18, 2003, OBM requested an update from the AGO on the status of the corrective action plan. In a response to OMB dated May 5, 2003, the AGO indicated that a centralized federal grants coordinator had been hired in the AGO's Finance Section to more closely monitor grant activity, including cash receipts and expenditure of grant funds as well as other grant-related compliance issues. The AGO also indicated that a letter to the Office of Criminal Justice Services had been drafted requesting a waiver for the amount of the questioned costs from the audit. A letter dated May 5, 2003 was sent to OCJS requesting the waiver.

As of the date of this response, the AGO has been in contact with the Office of Criminal Justice Services to ascertain the status of this request; however, it is our understanding that the matter is still under consideration. Since management of OCJS has changed over the past several months, we will continue to follow up with new management to assure a response is received and that appropriate action is taken.



**Auditor of State
Betty Montgomery**

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OFFICE OF THE OHIO ATTORNEY GENERAL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**