

Office of the Ohio Attorney General
Columbus, Ohio

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

For the Year Ended June 30, 2004





**Auditor of State
Betty Montgomery**

Office of the Ohio Attorney General
30 E. 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 the Schedule of Expenditures of Federal Awards of the Office of the Ohio Attorney General, Franklin County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period July 1, 2003 to June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 28, 2005

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OFFICE OF THE OHIO ATTORNEY GENERAL

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL 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, 2004. 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 on 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 State Medicaid Fraud Control Unit for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, and 2004-3.

Internal Control over Compliance

The management of the Attorney General is responsible for establishing and maintaining effective internal control over compliance with 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 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

Office of the Ohio Attorney General
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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 for the information and use of the audit committee, management, State of Ohio Office of the Auditor, and 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.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
Columbus, Ohio
February 28, 2005



**INDEPENDENT AUDITOR'S REPORT ON THE 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, 2004. 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 U.S. 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.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
Columbus, Ohio
February 28, 2005

OFFICE OF THE OHIO ATTORNEY GENERAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<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 Office of Criminal Justice Services		
Byrne Formula Grant Program	16.579	\$ 1,122,762
<u>U.S. Department of Health and Human Services</u>		
Pass-through from Ohio Department of Job and Family Services		
State Medicaid Fraud Control Unit	93.775	<u>2,525,600</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,648,362</u></u>

See Independent Auditor's Report and Note to the 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, 2004**

NOTE 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 the State Medicaid Fraud Control Unit. It does not include transactions that might be included using the accrual basis of accounting contemplated by accounting principles generally accepted in the United States of America. 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
OMB CIRCULAR A-133 § .505
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Not applicable.
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Not applicable.
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Not applicable.
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Not applicable.
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA 16.579 – Byrne Formula Grant Program CFDA 93.775 – Medicaid Fraud Control Unit
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Not applicable.
(d)(1)(ix)	Low Risk Auditee?	Not applicable.

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Not applicable.

OFFICE OF THE OHIO ATTORNEY GENERAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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2004-1 Questioned Cost (\$68,251): Medicaid Fraud Control Unit Payroll

CFDA # 93.775 – Medicaid Fraud Control Unit

OMB Circular A-87, Attachment B, Section 8, states, in part:

(a) Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits.

Furthermore, 42 CFR, Section 1007.19 states, in part:

(e) FFP is not available under this part for expenditures attributable to-

(4) The performance by a person other than a full-time employee of the unit of any management function for the unit, any audit or investigation, any professional legal function, or any criminal, civil or administrative prosecution of suspected providers;

In our review of payroll and related expenditures charged to the Medicaid Fraud Control Unit, we noted two employees of the Attorney General's Workers' Compensation Fraud Unit who were erroneously charged to the Medicaid Fraud Control Unit during part of State fiscal year 2004. Since these two employees did not render services for the Medicaid Fraud Control Unit, their compensation and related fringe benefits may not be charged to that grant.

In addition, we noted one employee of the Medicaid Fraud Control Unit whose responsibilities also included the Workers' Compensation Fraud Unit. A portion of this employee's salary and fringe benefits was charged to the Medicaid Fraud Control Unit grant during State fiscal year 2004. However, since this employee was not a full-time employee of the Medicaid fraud Control Unit, the employee may not be charged to that grant.

The total salaries and fringe benefits for the three employees described above was \$68,251. This amount is a questioned cost. Approximately 42 employees worked for the Medicaid Fraud Control Unit during 2004. The total salaries and fringe benefits charged to the grant for the year was \$2,154,483.

To avoid similar noncompliance in the future, we recommend that the Attorney General begin completing semi-annual certifications for employees working full-time on a single grant activity, such as the Medicaid Fraud Control Unit. Those certifications should then, on a regular basis, be compared to budgetary and actual payroll expenditure data to ensure that only eligible employees are being charged to the grant.

OFFICE OF THE OHIO ATTORNEY GENERAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004

2004-2 Noncompliance: Medicaid Fraud Control Unit Reports

CFDA # 93.775 – Medicaid Fraud Control Unit

45 CFR 92.41 (b)(4), states, in part:

When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

For the period under audit, the Attorney General did not file any of the above required reports (Form SF-269) on a timely basis. The reports, due dates, and dates submitted are as follows:

<u>Period Ended</u>	<u>Report Period</u>	<u>Due Date</u>	<u>Date Submitted</u>
September 30, 2003	Quarterly	October 30, 2003	November 24, 2003
September 30, 2003	Annual	December 29, 2003	May 21, 2004
December 31, 2003	Quarterly	January 30, 2004	May 21, 2004
March 31, 2004	Quarterly	April 30, 2004	May 21, 2004
June 30, 2004	Quarterly	July 30, 2004	August 13, 2004

Furthermore, 42 CFR 1007.17 states, in part:

At least 60 days prior to the expiration of the certification period, the unit will submit to the Secretary a report covering the last 12 months....

This annual statistical report includes various information regarding the number of Medicaid fraud complaints, investigations, cases prosecuted, recovery actions, and other performance data. This report was due on August 1, 2003, but was not filed until September 19, 2003.

Because of the lateness in the submission of its reports, there were times throughout the year when the Attorney General was prohibited from drawing down additional federal funds for the Medicaid Fraud Control Unit. Thus, in order to pay Medicaid Fraud Control Unit expenses on a timely basis, management used other State monies intended for general operations of the Attorney General. Once the financial reports were submitted and additional federal funds were drawn down, management returned the operating monies to the originally intended fund.

Should the Attorney General continue to file its quarterly and annual reports late, it risks loss of funding or other sanctions from the federal government. Attorney General management should develop timelines for the preparation, review, and submission for the various grant reports that are required. Management should also devote the necessary staff resources to ensure that reports are submitted timely.

OFFICE OF THE OHIO ATTORNEY GENERAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004

2004-3 Noncompliance: Byrne Formula Grant Reports

CFDA # 16.579 – Byrne Formula Grant Program

The Ohio Office of Criminal Justice Services (OCJS), which is the pass-through entity providing Byrne Formula Grant funding to the Attorney General, requires that all subgrantees submit quarterly financial reports. These reports must show actual subgrant receipts and expenditures, as well as provide an update on the project's objectives. These reports shall be submitted the last day of the month following the calendar quarter end. In addition to the quarterly financial reports, subgrantees must submit a final subgrant report by the closeout deadline.

In our testing we reviewed all quarterly and final report submissions for the eight OCJS grants that were active for the period under audit. For the reports that the Attorney General submitted late, the reporting period, due dates, and submission dates are detailed below:

<u>Grant No.</u>	<u>Report Period</u>	<u>Due Date</u>	<u>Date Submitted</u>
K310	Quarterly	October 31, 2003	November 14, 2003
K310	Quarterly	January 31, 2004	February 25, 2004
K341	Quarterly	July 31, 2003	August 29, 2003
K341	Final	February 28, 2004	May 3, 2004
K359	Quarterly	July 31, 2003	August 13, 2003
K359	Final	March 1, 2004	June 17, 2004
K482	Quarterly	July 31, 2003	August 14, 2003
K482	Final	February 28, 2004	April 12, 2004
K487	Final	March 1, 2004	April 12, 2004

Because of the late reports, OCJS withheld funding for a Law Enforcement Conference grant during fiscal year 2004. Should the Attorney General continue to submit late reports, it risks additional delays or losses in funding or other sanctions from OCJS and federal government. Attorney General management should develop timelines for the preparation, review, and submission for the various grant reports that are required. Management should also devote the necessary staff resources to ensure that reports are submitted timely.

Fiscal Year 2004 Single Audit Corrective Action Plan Form

Agency Name: Ohio Attorney General's Office

1. Brief Description of Audit Finding

2004-1 Questioned Cost (\$68,251): Medicaid Fraud Control Unit Payroll
CFDA # 93.775 – Medicaid Fraud Control Unit

Two employees from the Workers' Compensation Fraud Unit were erroneously charged to the Medicaid Fraud Control Unit. As such, their compensation and related fringe benefits may not be charged to that grant. In addition, one employee was not a fulltime employee of the Medicaid Fraud Control Unit and may not be charged to that grant. The total salaries and fringe benefits for the three employees described above was \$68,251 and was considered to be a questioned cost.

2. Brief Description of Planned Corrective Action

The Finance Section will work with the oversight agency to resolve this matter. Finance is in the process of implementing detailed procedures that require the grant coordinator to work with the Section Chief during the grant application process to ensure accuracy. In addition, the semi-annual payroll certifications will be compared to budgetary and actual payroll expenditure data to ensure that only eligible employees are being charged to the grant.

If new employees are hired, the Grant Coordinator will submit an adjustment request to the oversight agency for prior approval of any changes of personnel from the original submitted budget. Any changes throughout the year will be reviewed by the Payroll Officer and Grant Coordinator and any adjustments will be approved by the Section Chief and Fiscal Officer.

3. Anticipated Completion Date for Corrective Action

Corrective action plan should be in place in April 2005.

4. Agency Contact Person (who is responsible for follow-up on the planned corrective action)

Name: Jay Easterling

Title: Chief Finance Officer

Address: 30 E. Broad St., 15th Fl. Columbus, OH 43215

Phone Number: (614) 466-1812

E-Mail Address: Jeasterling@ag.state.oh.us

Corrective Action Form Prepared By: Jay Easterling

Title: Chief Finance Officer

Phone Number: (614) 466-1812

E-Mail Address: Jeasterling@ag.state.oh.us

Date: March, 07, 2005

Fiscal Year 2004 Single Audit Corrective Action Plan Form

Agency Name: Ohio Attorney General's Office

1. Brief Description of Audit Finding

2004-2 Noncompliance: Medicaid Fraud Control Unit Reports

CFDA # 93.775 – Medicaid Fraud Control Unit

Reports on a quarterly or semiannual basis were due 30 days after the reporting period; annual reports were due 90 days after the grant year; and final reports were due 90 days after the expiration or termination of grant support. Reports were filed subsequent to the due dates.

2. Brief Description of Planned Corrective Action

The AGO will immediately develop a grant reporting timeline for the preparation, review and submission of all required grant reports. Section management will monitor the reporting timeline to ensure adequate resources are available to comply with timely report submission.

3. Anticipated Completion Date for Corrective Action

Corrective action plan should be in place in April 2005.

4. Agency Contact Person (who is responsible for follow-up on the planned corrective action)

Name: Jay Easterling

Title: Chief Finance Officer

Address: 30 E. Broad St., 15th Fl. Columbus, OH 43215

Phone Number: (614) 466-1812

E-Mail Address: Jeasterling@ag.state.oh.us

Corrective Action Form Prepared By: Jay Easterling

Title: Chief Finance Officer

Phone Number: (614) 466-1812

E-Mail Address: Jeasterling@ag.state.oh.us

Date: March, 07, 2005

Fiscal Year 2004 Single Audit Corrective Action Plan Form

Agency Name: Ohio Attorney General's Office

1. Brief Description of Audit Finding

2004-3 Noncompliance: Byrne Formula Grant Reports
CFDA # 16.579 – Byrne Formula Grant Program

Quarterly financial reports were required to be filed 30 days after the end of a quarter; final reports were required to be filed 90 days after the end of the grant period. Reports were filed subsequent to the required due dates.

2. Brief Description of Planned Corrective Action

The AGO will immediately develop a grant reporting timeline for the preparation, review and submission of all required grant reports. Section management will monitor the reporting timeline to ensure adequate resources are available to comply with timely report submission.

3. Anticipated Completion Date for Corrective Action

Corrective action plan should be in place in April 2005.

4. Agency Contact Person (who is responsible for follow-up on the planned corrective action)

Name: Jay Easterling

Title: Chief Finance Officer

Address: 30 E. Broad St., 15th Fl. Columbus, OH 43215

Phone Number: (614) 466-1812

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Corrective Action Form Prepared By: Jay Easterling

Title: Chief Finance Officer

Phone Number: (614) 466-1812

E-Mail Address: Jeasterling@ag.state.oh.us

Date: March, 07, 2005



**Auditor of State
Betty Montgomery**

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**OFFICE OF THE 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 31, 2005**