

MARC Job Training Office
General-Purpose Financial Statements
For the Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

Board of Directors
MARC Job Training Office
Mount Gilead, Ohio

We have reviewed the Independent Auditor's Report of the MARC Job Training Office, Morrow County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 statements 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 MARC Job Training Office is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 2, 2003

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MARC JOB TRAINING OFFICE
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31,2001

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
MARC Job Training Office

I have audited the accompanying general-purpose financial statements of MARC Job Training Office, Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the MARC Job Training Office, Ohio, management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of MARC Job Training Office, Ohio, as of June 30, 2002, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 27, 2003, on my consideration of MARC Job Training Office, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

My Audit was performed for the purpose of forming and opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

March 27, 2003

MARC Job Training Office
 Combined Balance Sheet
 All Fund Type and Account Group
 June 30, 2002

	Governmental <u>Fund Type</u> Special Revenue	<u>Account Group</u> General Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>			
Cash and Cash Equivalents	\$104,265	\$0	\$104,265
Due from Other Governments	60,760	0	60,760
Fixed Assets - Net of Accumulated Depreciation	0	18,815	18,815
TOTAL ASSETS	\$165,025	\$18,815	\$183,840
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITES</u>			
Accounts Payable	\$38,015	\$0	\$38,015
Accrued Expenses	21,558	0	21,558
Compensated Absences	7,223	0	7,223
Deferred Revenue	16,529	0	16,529
Due to Other Governments	81,700	0	81,700
TOTAL LIABILITES	165,025	0	165,025
<u>FUND EQUITY</u>			
Fund Balance:			
Investment in General Fixed Assets	0	18,815	18,815
Unrestricted Fund Balance	0	0	0
TOTAL FUND EQUITY	0	18,815	18,815
TOTAL LIABILITIES AND FUND EQUITY	\$165,025	\$18,815	\$183,840

The accompanying notes to the general-purpose financial statements are an integral part of these statements.

MARC Job Training Office
 Combined Statement of Revenue, Expenses and Change in Fund Balance
 All Governmental Fund Types
 For the Year Ended June 30, 2002

	Special Revenue
<u>REVENUE</u>	
Intergovernmental Revenue	\$741,464
Interest / Program Income Earned	420
TOTAL REVENUE	741,884
<u>EXPENSES</u>	
Human Services:	
Employment and Training Program	741,464
Program Income Expenditure	420
TOTAL EXPENSES	741,884
EXCESS REVENUE OVER (UNDER) EXPENSES	0
Fund Balance - Beginning of Year	0
FUND BALANCE - END OF YEAR	\$0

The accompanying notes to the general-purpose financial statements are an integral part of these statements.

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 1: REPORTING ENTITY

On August 7, 1998, President Clinton signed the Workforce Investment Act of 1998 (WIA), comprehensive reform legislation that superseded the Job Training Partnership Act (JTPA) and amends the Wagner-Peyser Act. WIA reforms Federal job training programs and creates a new, comprehensive workforce investment system. The system is intended to be customer-focused, to help American access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers.

Section 116 of the WIA Act identifies the requirement for a local Workforce Investment Board. In general the law requires that the Governor shall approve any request for designation as a local area from any unit of general local government with a population of 500,000 or more. Also it requires that the Governor shall approve any request, for temporary designation as a local area from any unit of general local government (including a combination of such units) with a population of 200,000 or more that was a service delivery area under the Job Training Partnership Act on the day before the date of enactment of this Act. MARC (formally knowing as MARK or Morrow-Ashland-Richland-Knox Consortium) was a service delivery area under the JTPA program.

MARC is a Regional Counsel of Governments consisted of Morrow, Ashland, Richland, and Crawford Counties. These counties opted to go with the State of Ohio Option regarding Workforce Investment Act Program. The Ohio Option is a single large area consisting of 82 counties and as been designated as Workforce Development Area 7. The State of Ohio Department of Job and Family Services, is the State Agency designated as the State Workforce Investment Board to oversee the state plan in implementing the WIA program. MARC Counsel of Governments created MARC Job Training Office to provide staff needed to assist with the WIA program operation for the 4 counties. The Morrow County Departments of Job and Family Services have contracted with MARC Job Training Office to operate the WIA Program in accordance with the rules and regulations promulgated to carry out the purpose of the Act for those counties.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of MARC.

A. Basis of Presentation

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the MARC is financially accountable. This report includes all activities considered by management to be part of the MARC by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b)

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the MARC over which the MARC is financially accountable.

Fund Accounting

The financial reporting practices of MARC conform to accounting principles generally accepted in the United State of America as applicable to local governments.

The accounts of MARC are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Individual funds and account groups, which are used by MARC and are summarized in the accompanying combined financial statements, are classified as follows:

Governmental Funds:

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Account Group:

General Fixed Assets Account Group - To account for all fixed assets of MARC.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings and intergovernmental revenue. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by funding agency and may result in disallowance in subsequent periods.

The MARC reports deferred revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

C. Fixed Assets

Fixed Assets include furniture, fixtures, and equipment purchased by MARC. At the time of purchase, such assets are recorded as expenditures in the Governmental Funds and are accounted for in the General Fixed Assets Account Group.

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fixed Assets (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The MARC capitalization policy is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Depreciation is computed using the straight-line method over 10 years regardless of its useful life. Depreciation is only recorded in the General Fixed Assets Account Group.

D. Budgetary Process

MARC annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30.

MARC primary funding source is federal and state grants, which have grant periods that may or may not coincide with the Agency's fiscal year. These grants normally are for a twelve-month period, ending June 30. However, they can be awarded for periods longer than twelve months.

Due to the nature of MARC dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. MARC annual budget differs from that of a local government in two respects:

1) The uncertain nature of grant awards from other entities

2) Conversion of grant budgets to a fiscal year basis

The resultant annual budget is subject to constant change within the fiscal year due to:

- ◆ Increases/decreases in actual grant awards from those estimated;
- ◆ Changes in grant periods;
- ◆ Unanticipated grant awards not included in the budget; and
- ◆ Expected grant awards, which fail to materialize.

The Executive Board formally approved the annual budget, but greater emphasis is placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

Although the annual budget for the Special Revenue funds is reviewed and approved by the Executive Board, it is not a legally adopted budget.

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Total Column on Combined Financial Statements

Total columns on the combined statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Inter-fund elimination has not been made in the aggregation of this data.

NOTE 3: DEPOSITS AND INVESTMENTS

MARC maintains a separate cash pool used by all subgrant funds. The total of all subgrants for each year is displayed on the balance sheet.

The captions on the combined balance sheet related to cash and cash equivalents and the amount in the total column is as follows:

Cash in checking	<u>\$104,265</u>
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State statutes classify monies held by the MARC into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the MARC treasury, in commercial accounts payable or with drawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of MARC deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by MARC or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentality's;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of MARC, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At fiscal year end, the carrying amount of the MARC deposits was \$104,265 and the bank balance was \$141,387. The entire bank balance was covered by federal depository insurance or collateral pledged by the financial institution.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from Other Governments represents amounts owed to MARC Job Training Office for grant funds earned but not received. As of June 30, 2002, the balance of Due from Other Governments in the governmental funds is \$60,760 and its is owed from the Morrow County Department of Job and Family Services for the following programs:

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 4: DUE FROM OTHER GOVERNMENTS (Continued)

TANF Grant	\$ 53,000
Wellness Program	3,760
ABLE Program	<u>4,000</u>
 Total Due from Morrow County JFS	 <u><u>\$60,760</u></u>

NOTE 5: DUE TO OTHER GOVERNMENTS

Due To Other Governments represents amounts owed for grant funds received but not earned. As of June 30, 2002, the balance of Due To Other Governments in the governmental funds is \$81,700 and its is owed to the following Agencies for the following programs:

MORROW COUNTYJFS:	
- WIA Adult Program	\$ 3,293
- WIA Youth Program	6,095
- WIA Dislocated Worker Program	71
- WIA Rapid Response Program	11,169
- TANF Program	12,140
- TANF Incentive Program	47,002
- One Stop Program	<u>74</u>
 TOTAL MORROW COUNTYJFS	 79,844
MORROW COUNTY MENTAL HEALTH	<u>1,856</u>
 Total Due from Other Governments	 <u><u>\$81,700</u></u>

NOTE 6: DEFERRED REVENUE

Deferred revenue of \$16,529 represents expenses distributed from the Agency Cost Pool Funds in excess of actual expenses incurred. The amount over charged will be offset in the subsequent program year by reducing expenses available to be distributed.

NOTE 7: FIXED ASSETS

General Fixed Assets Account Group - A summary of the changes in general fixed assets during the year ended June 30, 2002, follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Equipment, furniture, and fixtures	\$ 146,840	\$ 2,298	\$ (109,120)	\$ 40,018
Accumulated Depreciation	<u>(71,695)</u>	<u>(3,284)</u>	<u>53,776</u>	<u>(21,203)</u>
 Total	 <u><u>\$ 75,145</u></u>	 <u><u>\$ (986)</u></u>	 <u><u>\$ (55,344)</u></u>	 <u><u>\$ 18,815</u></u>

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Agency's required contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were \$12,081, \$37,580, and \$75,720, respectively. The full amount has been contributed for 2001 and 2000. Ninety-two percent has been contributed for 2002, with the remainder being reported as a liability.

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post retirement health cares through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

The significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

Benefits are advance-funded using the entry age normal cost method. The number of active

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM
(Continued)

contributing participants was 411,076. The actuarial value of PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 8: COMPENSATED ABSENCES

All full-time employees of MARC earn vacation and sick leave at varying rates depending on length of service. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with MARC. The following schedule details earned vacation leave based on length of service:

<u>Years of Employment</u>	<u>Vacation Leave</u>
1 – 6 years	10 days
6 – 12 years	15 days
12 – 20 years	20 days
20+ years	25 days

Full-time employees earn 4.6 hours per pay period of sick leave. Upon resignation or retirement, employees will not be compensated for any unused sick time.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

As of June 30, 2002, the liability for unpaid, compensated absences was \$7,223 and it represented vacation time only.

NOTE 9: QUESTIONED OR DISALLOWED COSTS

There are no expenditures recommended for disallowance. Costs recommended for disallowance are those involving expenditures for which existing documentary evidence leads the auditor to conclude that the expenditures were in violation of legislative or

regulatory requirements. The Grantor disallows these costs unless the grantee is able to convince the Grantor that they were made in accordance with legal or regulatory requirements.

MARC Job Training Office
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 9: QUESTIONED OR DISALLOWED COSTS (Continued)

There are no expenditures listed as questionable. Questionable costs are those involving the lack of or inadequacy of documentary support. Findings containing questionable costs do not necessarily mean that the costs were for improper purposes; but there was insufficient documentary evidence to allow a determination of their eligibility.

NOTE 10: INSURANCE AND RISK MANAGEMENT

MARC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, MARC contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Indiana Insurance Company	General Liability	\$ 100.00
USF&G Insurance Company	Bond-Public Employees & Commissioners	\$ 0.00

MARC pays the State Worker's Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

MARC continued to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from the above noted risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: CHANGE IN ENTITY

MARC Job Training Office was previously known as DMARCK Job Training Office representing the six counties that made up the Regional Counsel of Government of Delaware, Morrow, Ashland, Richland, Crawford and Knox Counties. Effective July 1, 2001, Delaware County and Knox County are no longer part of the Regional Counsel of Governments. Therefore, DMARCK Job Training Office changed it name to MARC Job Training Office to represent the remaining four counties: Morrow, Ashland, Richland and Crawford.

NOTE 12: SCHEDULE OF EXPENDITURES OF FEDERAL

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the MARC Job Training Office federal awards programs. The schedule has been prepared on the accrual basis of accounting.

MARC Job Training Office
Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2002

Federal Grantor/ Pass Through Grantor	CFDA Number	Expenditure
U.S. Department of Labor: Pass-Through Program From:		
Workforce Investment Act (Cluster):		
WIA Adult Program		
Morrow County Department of Job & Family Service	17.258	\$ 85,710
WIA Youth Program		
Morrow County Department of Job & Family Service	17.259	85,363
Knox County Department of Job & Family Service	17.259	54,984
Ashland County Department of Job & Family Service	17.259	24,568
Total WIA Youth Program		164,915
WIA Dislocated Worker Program		
Morrow County Department of Job & Family Service	17.260	49,828
WIA Rapid Response Program		
Morrow County Department of Job & Family Service	17.260	288,831
WIA One Stop Implementation		
Morrow County Department of Job & Family Service	N/A	31,643
WIA Consortium		
Ashland County Department of Job & Family Service	N/A	5,999
Richland County Department of Job & Family Service	N/A	18,573
Crawford County Department of Job & Family Service	N/A	11,756
Total WIA Consortium		36,328
Total Workforce Investment Act (Cluster)		\$657,255
 U.S. Department of Health and Human Services: Pass-Through Program From:		
TANF Program		
Morrow County Department of Job and Family Services	93.558	\$74,810
Total TANF		\$74,810
Total Expenditure of Federal Award		\$732,065

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
MARC Job Training Office

I have audited the general-purpose financial statements of the MARC Job Training Office, Ohio, as of and for the year ended June 30, 2002, and have issued my report thereon dated March 27, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether MARC Job Training Office, Ohio's general-purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered MARC Job Training Office, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I considered to be reportable conditions. Reportable conditions involves matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect MARC Job Training Office ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAGAS-2002-1 through GAGAS-2002-4.

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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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I considered items GAGAS-2002-3 and GAGAS-2002-4 to be a material weakness.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

March 27, 2003

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SALVATORE CONSIGLIO, CPA, INC.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
MARC Job Training Office

Compliance

I have audited the compliance of the MARC Job Training Office, Ohio, 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 each of its major federal programs for the year ended June 30, 2002. MARC Job Training Office, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MARC Job Training Office, Ohio's management. My responsibility is to express an opinion on MARC Job Training Office, Ohio's compliance based on my audit.

I conducted my 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 I 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the MARC Job Training Office, Ohio's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on MARC Job Training Office, Ohio's compliance with those requirements.

In my opinion, MARC Job Training Office, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

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Ohio Society of Certified Public Accountants

Internal Control Over Compliance

The management of MARC Job Training Office, Ohio 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 my audit, I considered MARC Job Training Office, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the Internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



Salvatore Consiglio, CPA, Inc.

March 27, 2003

MARC Job Training Office
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #17.258, 17.259 and 17.260 WIA Cluster Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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FINDING NUMBER	GAGAS-2002-1
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FINANCIAL STATEMENTS

The financial statements provided for the audit contained several errors. The balance sheet accounts carried balances from prior year that are no longer valid. The cash balance included bank accounts that were closed and funds disbursed. Also, the payable to vendors included liabilities that had been paid.

The errors all appeared to be related to the change in administration of the WIA Program from Richland County Office to Morrow County Office. When the Administration of the WIA Program changed, there were entries made by the Richland County Office to close-out the books that were either not recorded by Morrow County Office or were recorded without proper

understanding of the entries made. This caused confusion in the future periods and resulted in erroneous financial statements.

The accounts affected have been corrected and the financial statements are fairly stated.

FINDING NUMBER	GAGAS-2002-2
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DISTRIBUTION OF FIXED ASSETS

During the change in the Administration of the WIA Program from Richland County to Morrow County, certain assets were distributed among the Counties. The property not in possession by MARC Job Training Office has been removed from the financial statements. However, no documentation was provided as to what assets were transferred to Richland County nor was there any authorization from the County Commissioners authorizing the transfer of assets and removal from MARC financial statements.

This can result in assets not been properly safeguarded or assets used for unauthorized purposes.

Recommendation:

A detail list of the assets distributed among the Counties should be prepared. The list should document how the assets will be continued to be used by each County. If the asset is no longer used for the WIA program, authorization or instruction for the disposal may be required to be obtained from the Ohio Department of Job and Family Service.

FINDING NUMBER	GAGAS-2002-3
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COST POOL DISTRIBUTION

Audit procedures over cost pool funds revealed that \$16,529 of distribution was made in excess of actual expenditures per the accounting records. An audit adjustment has been made to record this amount as deferred revenue with the intent that this amount will be offset in subsequent fiscal year.

The error appears to be due to lack of proper understanding of the methodology of the Cost Pool Fund. The Cost Pool Fund is a holding account of common costs that cannot readily be identifiable as benefiting a certain program or cost objective. These costs are then recorded in a cost pool fund and then distributed based on the Agency approved cost allocation plan.

Recommendation:

Only actual expenses incurred should be distributed to the various programs.

FINDING NUMBER	GAGAS-2002-4
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PAYROLL TAXES

The audit procedures over payroll process revealed that the payroll taxes were expensed twice in the accounting records. When the payroll was processed, the accounting software properly recorded the payroll entries. When the payroll taxes were paid, the entries recorded duplicated the expense. This resulted in expenses and liabilities being overstated.

This error appears to be caused by lack of understanding of the accounting software system. Adjustment had been made to correct this error.

Recommendation:

The Agency staff should continue to attend training on the use of the accounting software.

3. FINDINGS REALTED TO FEDERAL AWARDS

There are no Findings or questioned costs for the year ended June 30, 2002.

MARC Job Training Office
Schedule of Prior Audit Findings
For the Year Ended June 30, 2002

The audit report for the fiscal year ended June 30, 2001 contained no audit findings.



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Betty Montgomery**

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MARC JOB TRAINING OFFICE

MORROW 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
MAY 20, 2003**