METROPOLITAN
EDUCATIONAL COUNCIL

LIABILITY, FLEET & PROPERTY PROGRAM

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011 AND 2010

Dave Yost • Auditor of State

Committee Members
Metropolitan Educational Council Liability, Fleet and Property Program
2100 Citygate Drive
Columbus, Ohio 43219

We have reviewed the *Independent Auditors' Report* of the Metropolitan Educational Council Liability, Fleet and Property Program, Franklin County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period July 1, 2010 through June 30, 2011. 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 Metropolitan Educational Council Liability, Fleet and Property Program is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 17, 2012

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INDEPENDENT AUDITORS' REPORT

Committee Members
Metropolitan Educational Council
Liability, Fleet and Property Program
Columbus, Ohio

We have audited the balance sheets in liquidation of the Metropolitan Educational Council Liability, Fleet and Property Program (the Program) of the Metropolitan Educational Council, as of June 30, 2011 and 2010, the related statements of revenues, expenses, and changes in net assets and cash flows in liquidation for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements of the Program are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Metropolitan Educational Council that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the Metropolitan Educational Council as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 7 to the financial statements, the Governing Board of the Metropolitan Educational Council voted to terminate the Program effective June 30, 2007 due to insufficient participation. The Governing Board of the Metropolitan Educational Council approved a plan of liquidation June 30, 2007, and the Program commenced liquidation July 1, 2007. As a result, the Program has changed its basis of accounting for periods subsequent to June 30, 2007, from the going-concern basis to a liquidation basis. This is the final audit of the Program as of June 30, 2011.

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position in liquidation of the business-type activities of the Metropolitan Educational Council Liability, Fleet and Property Program as of June 30, 2011 and 2010, and the respective changes in its revenues, expenses and net assets in liquidation and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America applied on the bases described in the preceding paragraphs.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011 on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Generally accepted accounting principles also require the Program to include Management's Discussion and Analysis for the year ended June 30, 2011. The Program has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilmore, Jasion & Mahler, LTD

December 13, 2011

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
BALANCE SHEETS
June 30, 2011 and June 30, 2010 (Liquidation Basis)

	2011	2010
ASSETS		
Fund cash balance	$ 314,357	$ 125,401
Investments	0	207,746
Reimbursement claims receivable	0	50,000
Advances to third party administrator	19,710	27,576
Total assets	$ 334,067	$ 410,723
LIABILITIES AND NET ASSETS		
Liabilities		
Loss reserves	$ 77,778	$ 77,778
Accrued professional fees	8,000	12,275
Total liabilities	85,778	90,053
Net assets in liquidation	248,289	320,670
Total liabilities and net assets in liquidation	$ 334,067	$ 410,723

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
STATEMENTS OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2011 and June 30, 2010 (Liquidation Basis)

		2011	2010
Operating revenues			
Claims reimbursement revenue		$ 0	$ 70,870
	Total operating revenues	0	70,870
Operating expenses			
Loss and loss adjustment expense		64,820	17,172
Change in liquidation estimate		0	200
Professional fees		8,557	344
Miscellaneous income		0	(33)
	Total operating expenses	73,377	17,683
Operating income (loss)		(73,377)	53,187
Non-operating revenue			
Interest income		996	5,857
Change in net assets in liquidation		(72,381)	59,044
Net assets in liquidation			
Beginning of year		320,670	261,626
End of year		$ 248,289	$ 320,670

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and June 30, 2010 (Liquidation Basis)

	2011	2010
Cash flows from operating activities		
Cash received from insurance reimbursements	$ 50,000	$ 24,203
Cash paid for claims and insurance premiums	(56,954)	(32,383)
Cash paid for vendors and others	(12,832)	(12,511)
Net cash used in operating activities	(19,786)	(20,691)
Cash flows from investing activities		
Sales/(Purchases) of investments	207,746	(5,857)
Interest received on cash and cash equivalents	996	5,857
Net cash provided by investing activities	208,742	0
Net increase (decrease) in cash and cash equivalents	188,956	(20,691)
Cash and cash equivalents, beginning of year	125,401	146,092
Cash and cash equivalents, end of year	$ 314,357	$ 125,401
Reconciliation of operating income to net cash used in operating activities		
Operating income (loss)	$ (73,377)	$ 53,187
Changes in operating assets and liabilities:		
Advances to third party administrator	7,866	1,888
Reimbursement claims receivable	50,000	(46,667)
Loss reserves	0	(17,099)
Accrued professional fees	(4,275)	(12,000)
Net cash used in operating activities	$ (19,786)	$ (20,691)

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 1–Description of the organization

The Metropolitan Educational Council, Franklin County, Ohio, (MEC) is a not-for-profit regional council of governments established under Chapter 167 of the Ohio Revised Code. The regional council of governments is directed by a twenty-seven member Governing Board. The regional council of governments provides educational services to the youth and adults in Franklin County and surrounding areas by the cooperative action of the membership.

The Metropolitan Educational Council Liability, Fleet and Property Program (MEC LFP Program) was organized in 2004 as authorized by Section 2744.081 of the Ohio Revised Code. Pursuant to Section 2744.081 of the Ohio Revised Code, the MEC LFP Program is a Committee of the MEC, a consortium of school districts and related agencies formed for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the MEC LFP Program are school districts located in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the MEC LFP Program and its administrator.

The MEC LFP Program was established to provide property, general liability, school leader's errors and omissions, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members. Coverage programs are developed specific to each member's risk management needs and the related premiums for coverage and administrative costs are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The MEC LFP Program has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the coverage provided in excess of the member's deductible.

The MEC LFP Program has chosen to adopt the forms and endorsements of conventional insurance coverage and to purchase specific and aggregate stop loss insurance in excess of a given retention to pay individual and collective losses. Therefore, the individual members are only responsible for their self-insured retention (deductible) amounts that may vary from member to member. See Note 6 for further explanation.

The MEC LFP Program retains the first $100,000 of each loss for general liability, automobile, crime and surety and property claims. Each Member has a maintenance deductible of $1,000 for property, automobile physical damage and crime claims. Stop loss insurance is purchased for the MEC LFP Program and is fully funded by Member contributions. The Stop loss coverage for the year ended June 30, 2007 (the last year of the program) was for claims in excess of $444,401. Coverage for boiler & machinery and school leaders' errors & omissions are purchased outside of the MEC LFP Program's retention program.

Note 1–Description of the organization-continued

Specialty Claims Services, Inc. provides claims adjusting and administrative services to the MEC LFP Program. In accordance with the agreement, Specialty Claims performs all policy management, billing, claims management and payment functions for the MEC LFP Program, and is paid a fee based on the number of claims processed. Specialty Claims does not have a service auditor's report for controls placed in operations or a service auditors' report on controls placed in operation and their operating effectiveness (SAS 70 Type I or Type II), however, management believes that Specialty Claims Services, Inc. outside processing function is operating effectively.

Due to the continued decline in participants, the Program was terminated by the Governing Council effective June 30, 2007.

The MEC LFP Program is comprised exclusively of Ohio educational subdivisions. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of purchasing excess and stop-loss insurance coverage. See Note 6 for further discussion.

Note 2–Summary of significant accounting policies

Basis of accounting

Prior to July 1, 2007, the financial statements were prepared on the accrual basis of accounting whereby revenues are accounted for as earned and expenses as incurred. As discussed in Notes 1 and 7 to the accompanying financial statements, the MEC Governing Council elected on June 30, 2007 to terminate the Program. In accordance with accounting principles generally accepted in the United States of America, the Program changed its basis of accounting effective July 1, 2007 from the ongoing concern basis used in presenting the 2007 financial statements to the liquidation basis used in presenting the 2008, 2009 and 2010 financial statements. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Council follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) topics issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements. The Program also has the option to apply FASB ASC topics issued after November 30, 1989, subject to this same limitation. The Program has elected to apply these FASB ASC Topics.

The Program follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10, "Accounting and Reporting for Risk Financing and Related Insurance Issues" and GASB Statement No. 30, "Risk Financing Omnibus, An Amendment of GASB 10," as applicable.

Note 2–Summary of significant accounting policies-continued

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

MEC is custodian for the MEC LFP Program's cash. MEC LFP Program's assets are held in the MEC's cash and investment pool, and are valued at fair value. The fair value of the position in the pool is the same as the value of the pool shares.

For cash flow purposes, the MEC LFP Program considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Loss reserves

The MEC LFP Program has not established claims liabilities on reinsured risks except for those that it determined are liabilities which are not covered by excess insurers as further discussed in Note 6. For those risks, the MEC LFP Program has established claims liabilities that are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled ("case" reserves) and of claims that have been incurred but not reported ("IBNR" reserves), net of estimated salvage and subrogation. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual and industry data that reflects past inflation and on other factors and are considered to be appropriate modifiers of past experience. See Notes 5 and 6 for further discussion.

The methods of making such estimates and establishing the ultimate liability for losses and loss adjustment expenses are reviewed regularly. Management believes that the estimates of the ultimate liability for losses and loss adjustment expenses as of June 30, 2011 and 2010 are reasonable and reflective of anticipated ultimate experience. However, it is possible that the MEC LFP Program's actual incurred losses and loss adjustment expenses will not conform to the assumptions inherent in the determination of the liability. Accordingly, it is reasonably possible that the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

Note 2–Summary of significant accounting policies-continued

Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the MEC LFP Program. Operating revenues are composed of member contributions charged for insurance coverage premiums, claims reimbursement revenue for deductible and stop loss payments, and insurance loss recovered which relates to revenue recognized based on the calculation of the stop loss reserve. Operating expenses are necessary costs incurred to provide the goods and service that is the primary activity of the MEC LFP Program. All revenues and expenditures not meeting this definition are reported as non-operating.

Note 3–Deposits

The Program has designated Fifth Third Bank for the deposit of funds. The MEC LFP Program's cash and cash equivalents are primarily subject to custodial credit risk, as further explained below.

Custodial credit risk is the risk that in the event of bank failure, MEC LFP Program's deposits may not be returned to it. Protection of MEC LFP Program's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of MEC LFP funds shall be required to pledge as security for repayment of all public moneys.

Note 4–Investments

At June 30, 2011 and 2010 the program has two certificates of deposit with The Huntington National Bank, the carrying value and balance with the bank was $0 and $207,746 at June 30, 2011 and 2010, respectively. The full amount of the certificates of deposits was covered by the Federal Depository Insurance Corporation (FDIC) limit of $250,000.

Note 5–Loss reserves

The net balance of unpaid losses and loss adjustment expense reserves at June 30, 2011 and 2010 represent the MEC LFP Program's estimate of the ultimate cost of loss and loss adjustment expenses that have been reported but not settled and that have been incurred but not reported, net of estimated salvage and subrogation. The activity in the losses and loss adjustment expense reserves is summarized as follows:

	2011	2010
Unpaid claims and claim adjustment expense at beginning of year	$ 77,778	$ 94,877
Incurred claims and claim adjustment expenses:		
Increase (decrease) in provision for insured events of prior years	64,820	17,172
Total incurred claims and claim adjustment expenses	64,820	17,172
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	(64,820)	(34,271)
Total payments	(64,820)	(34,271)
Total unpaid claims and claim adjustment expenses at end of year	$ 77,778	$ 77,778

The actuarial determination of the unpaid losses and loss adjustment expense reserves was prepared by Mercer Oliver Wyman Actuarial Consulting, Inc. (Mercer) for the year ended June 30, 2010.

Note 6–Excess insurance

In June 2007 (the last year of the Program) excess insurance coverages provided by the MEC LFP Program above the $100,000 retention per loss were $250,000,000 for any one property loss, $4,000,000 in the aggregate for flood and earthquake losses and $5,000,000 for any one occurrence and policy aggregate per member for liability losses. In the event the aggregate of all losses exceeds the Stop Loss calculation for the fiscal year, excess insurance is purchased to cover the first $100,000 of any additional covered loss.

In the event that any of the excess insurance companies are unable to meet their obligations under the existing excess insurance agreements, the MEC LFP Program would be liable for such defaulted amounts. The MEC LFP Program evaluates the financial condition of its excess insurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from insurer insolvencies.

There was $0 in premiums paid to excess insurers for the years ended June 30, 2011 and 2010.

Note 7–Program curtailment

The Metropolitan Educational Society Program Committee determined under Section 10.3 of the Agreement for the Metropolitan Educational Council Liability Fleet and Property Program (Agreement) that there was insufficient participation for fiscal year 2008 and accordingly, terminated the Program effective June 30, 2007. The Program will remain in operations until all remaining claims are run out. Per section 10.4 of the Agreement the Program shall not be liable in excess of any Loss Fund reserves. In addition, per section 10.5 of the agreement any funds remaining shall be paid to the Council.

SUPPLEMENTARY INFORMATION

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
CLAIMS DEVELOPMENT INFORMATION
For the Years Ended June 30, 2011, 2010, 2009, 2008, 2007, 2006, and 2005

	Fiscal Year and Policy Years Ended						
	2011	2010	2009	2008	2007	2006	2005
Required contribution and investment revenue:							
Earned	$ 996	$ 5,857	$ 4,071	$ 12,325	$ 1,310,145	$ 1,626,817	$ 1,641,165
Ceded		0	0	0	779,017	891,694	1,039,843
Net earned	996	5,857	4,071	12,325	531,128	735,123	601,322
Unallocated expenses	0	619	1,093	38,460	61,874	176,859	168,988
Estimated claims and expenses, end of policy year:							
Incurred	0	0	0	0	829,340	428,202	378,928
Ceded	0	0	0	0	379,937	0	0
Net incurred	0	0	0	0	449,403	428,202	378,928
Net paid (cumulative) as of:							
End of policy year	0	0	0	0	332,618	124,489	182,444
One year later	0	0	0	0	214,088	366,618	298,986
Two years later	0	0	0	0	217,318	445,117	390,917
Three years later	0	0	0	0	244,454	449,494	388,595
Four years later	0	0	0	0	297,987	390,784	419,298
Five years later	0	0	0	0	0	354,254	405,564
Six years later	0	0	0	0	0	0	403,381
Re-estimated ceded claims and expenses	0	0	0	0	303,995	229,531	49,102
Re-estimated net incurred claims and expenses:							
End of policy year	0	0	0	0	449,403	428,202	378,928
One year later	0	0	0	0	324,349	529,545	392,619
Two years later	0	0	0	0	313,349	472,138	417,039
Three years later	0	0	0	0	317,700	464,979	402,659
Four years later	0	0	0	0	371,233	448,221	402,659
Five years later	0	0	0	0	0	411,691	402,659
Six years later	0	0	0	0	0	0	400,476
Increase (decrease) in estimated net incurred claims and expenses from end of policy year	0	0	0	0	(131,703)	20,019	(21,548)

The accompanying notes are an integral part of these financial statements

GILMORE, JASION & MAHLER, LTD

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

Committee Members
Metropolitan Educational Council
Liability, Fleet and Property Program
Columbus, Ohio

We have audited the financial statements in liquidation of Metropolitan Educational Council Liability, Fleet and Property Program (the Program) as of and for the year ended June 30, 2011, and have issued our report thereon, dated December 13, 2011. We conducted our 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.

Internal Control over Financial Reporting
Management of the Program is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements in liquidation are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Program in a separate report letter dated December 13, 2011.

The Program's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Program's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Committee Members and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jasion & Mahler, LTD

December 13, 2011

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

Finding 2011-1

Condition
The Program did not have the in-house expertise to ensure that all reinsurance and stop loss transactions have been accurately accounted for and reported to the actuarial services.

Cause
During the course of the audit it was noted that the Program did not continue their relationship with their risk management and consulting services. This lack of in-house expertise could have resulted in the inability of the Program to identify material transactions that should have been reported in the Program's financial statements.

Recommendation
A thorough working knowledge of the Program plays a key role in proving the accuracy of accounting data and information included in the annual financial statements. Therefore, in order to provide accurate accounting information, we strongly recommend that the Program obtain the resources necessary to adequately record financial information in the financial statements.

Status
Management concurs with the finding that Program did not utilize the services of their risk management and consulting services leaving a lack on in-house expertise to accurately account for the reinsurance and stop loss transactions.

Finding 2011-2

Condition
The Program utilizes a third party administrator that does not have a service auditors' report for controls placed in operation or a service auditors' report on controls placed in operation and their operating effectiveness (SAS 70 Type I or Type II).

Cause
During our audit, we noted that the third party administrator does not have a service auditors' report for controls placed in operation or a service auditors' report on controls placed in operation and their operating effectiveness (SAS 70 Type I or Type II). These reports allow the service organization to disclose their internal control activities and processes to their users in a uniform format.

Recommendation
We recommend that the Program consider asking the third party administrator to obtain a SAS 70 Type I or Type II report as the value of such additional external evaluation may add to the outside processing function.

Status
Management recognizes the fact that the third party administrator does not have a service auditors' report but believes that there are mitigating controls in place regarding the outside processing function.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
SCHEDULE OF PRIOR YEAR (2010) FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

Finding 2010-1

Condition
The Program did not have the in-house expertise to ensure that all reinsurance and stop loss transactions have been accurately accounted for and reported to the actuarial services.

Cause
During the course of the audit it was noted that the Program did not continue their relationship with their risk management and consulting services. This lack of in-house expertise could have resulted in the inability of the Program to identify material transactions that should have been reported in the Program's financial statements.

Recommendation
A thorough working knowledge of the Program plays a key role in proving the accuracy of accounting data and information included in the annual financial statements. Therefore, in order to provide accurate accounting information, we strongly recommend that the Program obtain the resources necessary to adequately record financial information in the financial statements.

Status
Repeated in the current year as finding 2011-1.

Finding 2010-2

Condition
The Program utilizes a third party administrator that does not have a service auditors' report for controls placed in operation or a service auditors' report on controls placed in operation and their operating effectiveness (SAS 70 Type I or Type II).

Cause
During our audit, we noted that the third party administrator does not have a service auditors' report for controls placed in operation or a service auditors' report on controls placed in operation and their operating effectiveness (SAS 70 Type I or Type II). These reports allow the service organization to disclose their internal control activities and processes to their users in a uniform format.

Recommendation
We recommend that the Program consider asking the third party administrator to obtain a SAS 70 Type I or Type II report as the value of such additional external evaluation may add to the outside processing function.

Status
Repeated in the current year as finding 2011-2.

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Dave Yost • Auditor of State

METROPOLITAN EDUCATIONAL COUNCIL LIABILITY, FLEET AND PROPERTY PROGRAM

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
MAY 1, 2012