



Dave Yost • Auditor of State

**FINANCIAL CONDITION
LICKING COUNTY**

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LICKING COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Program	CFDA #	Pass-through Agency Awarding Number	Expenditures
United States Department of Agriculture:			
Passed-through Ohio Department of Job and Family Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561	G-1213-11-0065	\$ 876,206
United States Department of Housing and Urban Development:			
Passed through Ohio Department of Development:			
HOME Investment Partnership Program	14.239	B-C-10-1BO-2/B-C-12-1BO-2	322,804
Community Development Block Grant / State's Program	14.228	B-F-10-1BO-1	52,499
		B-F-11-1BO-1	307,715
		B-F-12-1BO-1	20,526
		B-C-10-1BO-1	27,727
		B-C-12-1BO-1	5,830
		B-Z-08-1BO-1	50,303
		various	95,787
Total Community Development Block Grant / State's Program			<u>560,387</u>
Total U.S. Department of Housing and Urban Development			<u>883,191</u>
United States Department of Justice:			
Passed through the Ohio Department of Youth Services:			
Juvenile Accountability Block Grant	16.523	various	8,376
Passed through the Ohio Attorney General:			
Crime Victims Assistance	16.575	2012-VAGENE947	13,614
Passed through the Ohio Office of Criminal Justice Services:			
Bullet Proof Vest Partnership Program	16.607	n/a	1,219
Edward Byrne Memorial Justice Assistance Grant Program	16.738	various	123,341
Total from the Office of Criminal Justice			<u>124,560</u>
Total U.S. Department of Justice			<u>146,550</u>
United States Department of Labor:			
WIA Cluster Passed-through Ohio Department of Job and Family Services:			
Passed-through Montgomery County Auditor, WIA Area 7 Board			
Workforce Investment Act - Adult			189,669
Workforce Investment Act - Adult Administrative			11,616
Workforce Investment Act - Adult Total	17.258	2012-7245-1	<u>201,285</u>
Workforce Investment Act - Youth			243,380
Workforce Investment Act - Youth Administrative			3,597
Workforce Investment Act - Youth Total	17.259	2012-7245-1	<u>246,977</u>
Workforce Investment Act - Dislocated Worker			249,564
Workforce Investment Act - Dislocated Worker Administrative			15,551
Workforce Investment Act - Dislocated Worker Total	17.278	2012-7245-1	<u>265,115</u>
Total U. S. Department of Labor and WIA Cluster			<u>713,377</u>
United States Department of Transportation:			
Direct Program:			
Airport Improvement Program	20.106	3-39-0061-2511	878,184
Federal Transit Formula Grants	20.507	various	922,641
ARRA Federal Transit Formula Grants	20.507	various	4,000
Total Federal Transit Formula Grants			<u>926,641</u>
Passed-through Ohio Department of Transportation:			
Highway Planning and Construction Grant	20.205	various	1,080,142
Total U.S. Department of Transportation			<u>2,884,967</u>
United States Election Assistance Commission:			
Passed-through Ohio Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	N/A	14,049

LICKING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

Federal Program	CFDA #	Pass-through Agency Awarding Number	Expenditures
United States Department of Health and Human Services:			
Passed-through Ohio Department of Jobs and Family Services:			
Promoting Safe and Stable Families	93.556	G-1213-11-0065	111,397
Temporary Assistance for Needy Families	93.558	G-1213-11-0065	2,382,965
Child Support Enforcement	93.563	G-1213-11-0065	1,576,399
Child Care and Development	93.575	G-1213-11-0065	285,449
Child Care Mandatory and Matching Funds	93.596	G-1213-11-0065	(78,090)
Total Child Care Cluster			<u>207,359</u>
Child Welfare Services - State Grants	93.645	G-1213-11-0065	76,495
Foster Care Management	93.658	G-1213-11-0065	2,871,566
Foster Care Management	93.658	G-1213-06-0193	266,804
Total Foster Care			<u>3,138,370</u>
Adoption Assistance	93.659	G-1213-11-0065	484,873
Social Services Block Grant	93.667	G-1213-11-0065	1,180,679
Chaffee	93.674	G-1213-11-0065	13,509
Children's Health Insurance Program	93.767	G-1213-11-0065	69,015
Medical Assistance Program	93.778	G-1213-11-0065	<u>1,009,309</u>
Total Ohio Department of Jobs and Family Services			<u>10,250,370</u>
Passed-through Ohio Department of Developmental Disabilities			
Social Services Block Grant - Title XX	93.667	n/a	126,227
Medical Assistance Program	93.778	n/a	<u>175,567</u>
Total Ohio Department of Developmental Disabilities			<u>301,794</u>
Total U.S. Department of Health and Human Services			<u><u>10,552,164</u></u>
United States Department of Homeland Security:			
Passed through Ohio Department of Emergency Management Agency:			
Emergency Management Performance Grant	97.042	various	74,777
Homeland Security Grant Program	97.067	various	70,339
Total U.S. Department of Homeland Security			<u>145,116</u>
Total Federal Awards Expenditures			<u><u>\$ 16,215,620</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

LICKING COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Licking County's (the County's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports initial loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2012 was as follows:

Beginning loans receivable balance as of January 1, 2012	\$3,196,747
Loans made	307,212
Loan principal repaid	250,138
Ending loans receivable balance as of December 31, 2012	\$3,253,821
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$400,782
Administrative costs expended during 2012	16,825

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE D - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2012, the County made allowable transfers of \$717,301 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$2,382,965 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2012 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$3,100,266
Transfer to Social Services Block Grant	<u>(717,301)</u>
Total Temporary Assistance for Needy Families	<u>\$2,382,965</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Licking County
20 South Second Street
Newark, Ohio 43055

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of Licking County, (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 27, 2013, wherein we noted the County restated the 2011 financial statement to correct misstatements.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. We consider finding 2012-02 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-01 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE FEDERAL AWARDS EXPENDITURES SCHEDULE

Licking County
20 South Second Street
Newark, Ohio 43055

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Licking County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the HOME Investment Partnership Program

As described in finding 2012-05 in the accompanying schedule of findings and questioned cost, the County did not comply with requirements regarding period of availability and reporting applicable to its HOME Investment Partnership major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on HOME Investment Partnership Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the HOME Investment Partnership Program* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its HOME Investment Partnership Program for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Licking County complied in all material respects with the requirements referred to above that could directly and materially affect each its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-05 to be a material weakness.

The County's response to our noncompliance and internal control compliance finding is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of Licking County (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our unmodified report thereon dated June 27, 2013, wherein we noted the County restated certain financial statement totals to correct misstatements. We conducted our audit to opine on the County's basic financial statements. The accompanying federal awards expenditures schedule presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements.

The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2013

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LICKING COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except for the HOME Investment Partnership program, which we qualified compliance over Period of Availability and Reporting.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA - 14.239 - Home Investment Partnership Program CFDA - 93.558 - Temporary Assistance for Needy Families CFDA - 93.658 - Foster Care Management CFDA - 10.561 - Supplemental Nutrition Assistance Grant CFDA - 93.667 - Social Services Block Grant CFDA - 20.106 - Airport Improvement Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 497,754 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)

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

FINDING NUMBER 2012-01

Internal Service Fund Accounting – Significant Deficiency

The County has assigned one individual to manage and account for self-insurance activity. As a part of self-insurance operations, four outside bank accounts are maintained, transfers are made to the accounts, deduction reports are reconciled, and reports are received from the insurance service provider to be reconciled and reviewed.

We noted the following internal control weaknesses over self-insurance operations:

- 1) One individual has been assigned to manage the activity without oversight or monitoring by someone independent of daily operations.
- 2) The main bank account, that is managed solely by one individual, had a balance of approximately \$1.6 million, and is maintained separate from County's accounting system.
- 3) Service provider reports detailing who received benefits, is not reviewed frequently enough to assure individuals submitting claims are currently enrolled in the self-insurance program.
- 4) Policies and internal control procedures have been put in writing involving self-insurance operations, but have not been approved by the Insurance Committee.

When designing internal controls, including monitoring controls, Ohio Admin. Code Section 117-2-01(D) suggests specific control activities that management should consider.

- 1) Ensure that all transactions are properly authorized in accordance with management's policies.
- 2) Ensure that accounting records are properly designed.
- 3) Ensure adequate security of assets and records.
- 4) Plan for adequate segregation of duties or compensating controls.
- 5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- 6) Perform analytical procedures to determine the reasonableness of financial data.
- 7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- 8) Monitor activities performed by service organizations.

We recommend that self-insurance operating policies and procedures be put in writing and be approved by the County Insurance Committee. The policies should ensure adequate segregation of duties, including someone independent of daily operations be assigned to review and reconcile all bank account activity and transfers to and from the bank accounts on a monthly basis. Additionally, the formula used to determine transfers to the main self-insurance bank account should be reviewed on a quarterly basis to assure that excess cash in the account is kept to a minimum. Check logs provided by the self-insurance service provider should also be reviewed to assure that all claims are being made for individuals currently enrolled in the program. Lastly, the Insurance Committee should review balances reserved and maintained in the self-insurance fund against acceptable loss reserve standards and actuarial assumptions with a certified actuary.

LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-01 (Continued)

Internal Service Fund Accounting – Significant Deficiency (Continued)

Official’s Response:

The County recognizes we need additional controls in place ensure the proper oversight of the self-insurance program. The written policies will be updated and reviewed periodically to account for any changes and will be approved by the Insurance Committee. We will obtain a certified actuary to assure the correct reserve balances are maintained against acceptable loss reserve standards. The County will also find an appropriate way to segregate duties of the daily operations, bank accounts, and auditing procedures.

FINDING NUMBER 2012-02

Financial Reporting – Material Weakness

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the County. This responsibility remains intact, even if management outsources this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that the accountant or consultant are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The County's financial statements and, where applicable, the accounting records include adjustments to correct errors as noted below.

Adjustment Description	Adjustment Amount
Overstatement of property tax receivable in the General, Developmental Disabilities, Children’s Services, Mental Health Levy, and Senior Citizen Levy Funds.	\$ 3,063,117
Understatement of sales tax receivable in the General Fund.	\$ 2,211,411
Restated beginning balance in the Public Assistance Fund to record a prior period inter-governmental payable.	\$ 472,946
Unrecorded inter-governmental payable in the Children’s Services Fund.	\$ 476,563
Remove an inter-fund receivable from the Public Assistance Fund and an inter-fund payable from the Children’s Services Fund.	\$ 342,852
Restated beginning balances in the Permanent Improvement Fund to record short term Bond Anticipation Notes as long term debt.	\$ 2,849,000
Unrecorded pass through funds from the Ohio Department of Transportation through the Motor Vehicle and Gas Tax Fund.	\$ 438,280
Unrecorded accounts receivable in the Water and Wastewater Funds.	\$ 217,828
Restated beginning balance in the Permanent Improvement Fund to record the balance of an Air Quality Loan.	\$ 2,290,632
Restated beginning balance in the Permanent Improvement Fund to add unrecorded accounts payable related to the Air Quality Loan.	\$ 336,852

LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-02 (Continued)

Financial Reporting – Material Weakness (Continued)

Adjustment Description	Adjustment Amount
Restated beginning balance in the Internal Service Fund to include unrecorded bank account.	\$ 660,329
Restated Net Position to add unrecorded Capital Assets.	\$ 3,570,007
Restated Net Position to add unrecorded Bond Anticipation Note Debt.	\$ 4,636,256

We recommend that the County implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

Official's Response:

The County Auditor or his designee will meet with the consultant to review the draft financial statements, related estimates and the supporting journal entries before the financial statements, related notes and schedules are presented to the State Auditors.

FINDING NUMBER 2012-03

Appropriations Exceeding Estimated Resources - Noncompliance

Ohio Rev. Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.

We noted that appropriations exceeded total certified resources as follows:

Fund	Total Estimated Resources	Appropriations	Variance
General Obligation Debt Fund	\$ 3,741,320	\$ 4,750,000	\$ (1,008,680)

This could result in the County expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the County being unable to meet its current obligations.

We recommend the County ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

Official's Response:

We understand the importance of monitoring budgetary compliance and will continue to strengthen our controls over the budgetary process to ensure compliance with the Ohio budgetary laws and more importantly, to ensure the County maintains accountability and stewardship over public funds.

LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-04

Expenditures Exceeding Appropriations – Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. In addition, Ohio Rev. Code Section 5705.36(A)(3) requires that upon a determination by the County Auditor that the revenue to be collected will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the Auditor shall certify the amount of the excess to the commission, and if the commission determines that the Auditor's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess. The legal level of budgetary control for the County is the object level.

Total expenditures exceeded appropriations for the year ended December 31, 2012 at the object level (legal level of control) as follows:

Fund	Appropriations	Expenditures	Variance
Permanent Improvement Fund (Capital Outlay)	\$ 1,621,289	\$ 3,760,575	\$ (2,139,286)
Motor Vehicle and Gasoline Tax Fund (Capital Outlay)	\$ 2,098,158	\$ 2,999,586	\$ (901,428)
Law Enforcement Fund (Contractual Services)	\$ 91,438	\$ 400,821	\$ (309,383)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and resulted in deficit spending.

A comparison of budgeted receipts to actual receipts at December 31, 2012:

Fund	Total Certified Resources	Total Actual Resources	Variance
Motor Vehicle and Gasoline Tax Fund	\$ 8,515,434	\$ 9,708,485	\$ 1,193,501
Law Enforcement Fund	\$ 295,054	\$ 625,443	\$ 330,389

For the year ended December 31, 2012, the County should have obtained an increased amended certificate and increased appropriations.

The County should not certify the availability of funds and should deny payment requests exceeding appropriations. We recommend the County increase appropriations and amend estimated resources when necessary.

Official's Response:

We understand the importance of monitoring budgetary compliance and will continue to strengthen our controls over the budgetary process to ensure compliance with the Ohio budgetary laws and more importantly, to ensure the County maintains accountability and stewardship over public funds.

LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. HOME Program - Period of Availability/Reporting

Finding Number	2012-05
CFDA Title and Number	CFDA - 14.239 - Home Investment Partnership Program
Federal Award Number / Year	2010-2012
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

HOME Program - Material Weakness/Noncompliance Finding/Questioned Cost

The County participates in the Home Investments Partnership Program grant which is administered at the state level by the Ohio Department of Development. The grant is operated at the County level by the County Department of Planning and Economic Development and is used to expand the supply of affordable housing.

Attachment B, Special Conditions, section 5 of the Grant Agreement, dated October 7, 2010, between the County and the Ohio Department of Development states the following; All projects, as identified in Attachment A of this Agreement, must be completed, i.e. work finished, by October 31, 2012. Any work not completed by this time may not continue without written approval by the Grantor. There must also be a clause in each contract, funded in whole or part with Home funds under this Grant Agreement, which stipulates that work be completed no later than October 31, 2012.

24 CFR 85.23 Period of Availability, requires that when a grant funding period is specified, the grantee may charge to the award only those costs resulting from obligations of the funding period.

The County Department of Planning Development entered into a contract, dated December 6, 2012, and expensed Home funds for a specific private rehabilitation project relating to grant period. The payments to the vendor from this activity were made in December 2012 and January and March 2013.

Since the expenditures on the project were not obligated by October 31, 2012, these expenditures did not meet the requirement for the period of availability. As a result, \$20,717 of reported expenditures for the project are therefore determined to be questioned costs.

Additionally, 2 CFR 215.51(a) states recipients (i.e. OHCP) are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. The Ohio Department of Development's Office of Housing and Community Partnerships (OHCP) - Financial Management Rules and Regulations E(1)(b)(1) – requires that a final performance report be submitted to the OHCP.

The final expenditure report for the grant period was filed with OHCP, however the report summary indicated the County spent a total of \$325,000 for Home program. However, the summary of individual rehab projects only supported a total \$304,283 which results in a variance of \$20,717; same as noted above.

Compliance with grant requirements can be enhanced with appropriate training and review of grant requirements.

LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

1. HOME Program - Period of Availability/Reporting (Continued)

We recommend that the Department of Planning Development monitor all projects to determine if completion of the projects will occur with the period of availability as noted in each grant agreement. If it appears the work cannot be completed within that timeframe, we recommend the Department contact the Ohio Department of Development and request a waiver as required by the grant agreement

Furthermore, we recommend the Department implement a policy that requires the Final Expenditure Reports be reconciled to subsidiary ledgers prior to submission to assure the accuracy and completeness of the reports.

Officials Response and Corrective Action Plan

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-05	<p>During the audit, the Licking County Planning & Development Department learned of an error to the 2010 Community Housing Improvement Program grant. Immediate actions were taken by filing an amended Final Performance Report and refunding \$20,740.00 to the Ohio Development Services Agency (ODSA) on June 6, 2013. The Department has taken steps to correct the draw-down requests, reporting process, as well as further file document this particular transaction.</p> <p>Staff had taken a series of actions in late 2012 to address the issue of a contractor's delayed start date and were under the belief that their transfer of a Private Owner Rehabilitation (POR) from the 2010 Community Housing Improvement Program (CHIP) grant to the 2012 CHIP grant (awarded on October 5, 2012) had been properly handled and misunderstood that funds for the 2012 CHIP would be reduced to reflect the POR transfer. As soon as they found out this was not the case and needed to be more fully separated, corrective actions were made June 6th, 2012 on the questioned cost.</p> <p>Compliance with the grant requirements is understood and been successfully administered for many years using anticipatory draw-down requests to ODSA. However, due to the year-end grant conversion of a POR, henceforth, draw-down request will only be made for the amounts actually paid to the contract or vendor within the balance of escrow accounts. Staff of the Licking County Planning & Development Department will continue to attend appropriate training in order to maintain compliance with multi-tiered grant requirements and associated proper financial reporting of the associated aspects of the grants.</p>	August 6, 2013	Gerald Newton, Licking County Planning and Development Director

LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Financial reporting – restatement of net position related to capital assets	No	Reissued as finding number 2012-02