



Dave Yost • Auditor of State

SOUTHWESTERN OHIO COUNCIL OF GOVERNMENT

TABLE OF CONTENTS

Title	Page
Independent Auditor's Report	1
Appendix A: Income and Expenditure Report Adjustments – 2011	5

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Independent Auditor's Report on Applying Agreed-Upon Procedures

Halina Schroeder, Audit Chief
Division of Fiscal Administration, Audit Office
Ohio Department of Developmental Disabilities
30 E. Broad Street, 13th Floor
Columbus OH 43215

Dear Ms. Schroeder:

As permitted by Ohio Revised Code Section 5123.05 and as required by the *Application for a §1915(c) Home and Community Based Services Waiver*, Appendix I-2(c), the Auditor of State's Office has performed the procedures enumerated below, to which the Ohio Department of Developmental Disabilities (DODD) agreed. The purpose is to assist you in evaluating whether the Southwestern Ohio Council of Government (SWOCOG or the COG) prepared its *Income and Expenditure Report* (Cost Report) and *County Summary Workbooks*¹ for the year ended December 31, 2011 in accordance with DODD's Guide to Preparing Income and Expenditure Reports for COGs and County Boards of Developmental Disabilities (Cost Report Guides) and to assist you in evaluating whether reported receipts and disbursements complied with 2 CFR 225 (OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*), and other compliance requirements described in the procedures below. The Council of Government's management is responsible for preparing these reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of DODD. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Revenue Testing

1. DODD requested us to compare the COG's receipts with those reported on *Schedule C Income Report* of the *County Summary Workbooks* and report variances exceeding two percent of total receipts on *Schedule C Income Report* or greater than \$1,000.

We compared amounts paid to the COG per the 2011 Annual Subsidy Amount and Reconciliation Final reports (DODD confirmations) to *Schedule C, Income Report* of the *County Summary Workbooks*.

We found no differences exceeding two percent or greater than \$1,000.

2. DODD asked us to scan SWOCOG's trial balance and general ledger reports to see if any transfers were recorded on Southwest Ohio COG's *Income and Expenditure Report* of the *County Summary Workbooks*.

¹ Southwestern Ohio COG recorded receipts and disbursements on behalf of the county developmental disabilities (County Boards). Southwestern COG prepared *County Summary Workbooks* to distribute these receipts and disbursements to each of the following County Boards: Butler, Clermont, Hamilton and Warren.

We found transfers included on *Schedule A, Summary of Expenditures-By Program* of the *Income and Expenditure Report* which were adjusted in Appendix A.

Payroll Testing

1. DODD asked us to determine if employee salaries on the COG's payroll register and trial balance were within two percent of payroll costs reported on the COG Cost Report and the *County Summary Workbooks*.

We found no errors exceeding two percent. SWOCOG had no payroll expenses or paid employees. We reviewed the Southwest Ohio COG Income vs Expense statement for 2011 and we did not identify any payroll disbursements to Southwest Ohio COG employees. (The Finance Director and one other position are employed by Butler CB and consultation expenses are paid by member boards to the COG).

2. DODD asked us to select a haphazard sample of five employees and compared the COG's organizational chart/staffing/payroll journal and job descriptions to the worksheet on the COG's Cost Report or the *County Summary Workbooks* in which each employee's salary and benefit costs were allocated to ensure the allocation is consistent with the Cost Report Guides. DODD asked us to report differences greater than two percent of the total wage and benefit of any worksheet affected.

We did not perform this procedure as SWOCOG did not have any employees during 2011.

3. DODD asked us to scan the COG's payroll journal for 2011 and compared classification of employees to entries on the COG Cost Report and *County Summary Workbooks* to determine if salary and benefit costs were reported in accordance with the Cost Report Guides.

We reviewed SWOCOG trial balance and general ledger reports for 2011 and we did not identify any payroll disbursements. Southwest Ohio COG has no paid employees.

Trial Balance Analysis and Non-Payroll Expenditures Testing

1. DODD asked us to compare the COG's total assets to total liabilities plus equity on the trial balance report.

We found no differences or computational errors.

2. DODD asked us to compare the COG's disbursements on the trial balance report and general ledger reports to *Schedule A, Summary of Service Costs-By Program* and Worksheets 2 through 5 of the COG Cost Report and Schedule A and Worksheets 2 through 10 of the *County Summary Workbooks*, and report variances exceeding \$100 for total service contracts, other expenses and COG expenses on any Worksheet.

We compared all service contracts, other expenses and COG expenses on *Schedule A, Summary of Service Costs-By Program* and Worksheets 2 through 5 of the COG Cost Report and Schedule A and Worksheets 2 through 10 of the *County Summary Workbooks* to disbursements on the COG's trial balance report and general ledger reports.

We found differences as reported in Appendix A.

3. DODD asked us to determine whether the COG's disbursements on the general ledger reports were properly classified within two percent of total service contracts, other expenses and COG

expenses for Worksheets 2 through 5 of the COG Cost Report and Schedule A and Worksheets 2 through 10 of the *County Summary Workbooks* and if these Worksheets included disbursements over \$100 which are non-federal reimbursable under 2 CFR Appendix B.

We scanned the COG's general ledger report for service contracts, other expenses and COG expense rows on Worksheets 2 through 5 of the COG Cost Report and Schedule A and Worksheets 2 through 10 of the *County Summary Workbooks* and reviewed documentation to identify disbursements not classified according to the Cost Report Guides or costs which are non-federal reimbursable under 2 CFR 225 Appendix B.

We found differences as reported in Appendix A for misclassified costs and non-federal reimbursable costs.

4. Since total disbursements were only 31, we tested all non-payroll disbursements from the general ledger report that were classified as total service contracts, other expenses or COG expenses on Worksheets 2 through 5 of the COG Cost Report and Schedule A and Worksheets 2 through 10 of the *County Summary Workbooks*.

We determined if supporting documentation was maintained as required by 2 CFR 225 (OMB Circular A-87, Appendix A, (C)(1)(j)) and the disbursement was properly classified according to the Cost Report Guides.

We found differences as reported in Appendix A for misclassified and non-federal reimbursable costs.

5. DODD asked us to scan the COG's general ledger reports for items purchased during 2011 that met the COG's capitalization criteria and traced them to inclusion on the COG's fixed asset listing.

We found no unrecorded purchases meeting the capitalization criteria

Property, Depreciation, and Asset Verification Testing

1. DODD asked us to compare the COG's procedures regarding capitalization of fixed assets with the Cost Report Guides for preparing *Worksheet 1, Capital Costs* and 2 CFR 225 (OMB Circular A-87, Appendix B, 15(a)(2)).

SWOCOG did not prepare a capitalization policy as they did not own any capital assets in 2011.

2. DODD asked us to compare the COG's depreciation schedule to *Worksheet 1, Capital Costs* of the COG Cost Report and report any variances exceeding \$100.

We did not note any errors exceeding \$100. SWOCOG did not own any capital assets in 2011.

3. DODD asked us to scan the COG's Depreciation Schedule for 2011 for depreciation taken on the same asset more than once, assets that have been fully depreciated, or depreciation taken on assets during the period of acquisition which were not in compliance with the Cost Report Guides.

We did not perform this procedure as the COG did not own nor acquired any assets during 2011. Additionally, there were not any capital costs recorded on *Worksheet 1, Capital Costs* of the COG Cost Report.

4. DODD asked us to compare the COG's final 2010 Depreciation Schedule to the COG's 2011 Depreciation Schedules for changes in the depreciation amounts for assets purchased prior to the period under review which were not in compliance with the Cost Report Guides.

A depreciation schedule was unavailable and was not examined due to the COG not owning or acquiring any assets during the examination period. Additionally, there were no depreciation costs recorded on *Worksheet 1, Capital Costs* of the COG Cost Report.

5. DODD asked us to select five of the COG's fixed assets or five percent of items which meet the COG's capitalization policy and are being depreciated in their first year in 2011 to determine if their useful lives agreed to the estimated useful lives prescribed in the 2008 AHA Asset Guides. DODD also asked us to recompute the first year's depreciation for these assets, based on their cost, acquisition date and useful life to determine compliance with the Cost Report Guides.

We did not perform this test as the COG did not purchase any capital assets according to the test of non-payroll disbursements and scan of general ledger.

6. DODD asked us to haphazardly select the lesser of five percent or 5 disposed assets in 2011 from the COG's list of disposed assets and determined if the asset was removed from the COG's fixed asset ledger. DODD also asked us to recalculate depreciation and any gain or loss applicable to 2011 for the disposed items based on its cost basis less depreciation to date, and any proceeds received from the disposal or sale of the asset to determine compliance with the Cost Report Guide and CMS Publication 15-1, Chapter 1.

We did not perform this procedure because the COG stated that there were not any capital assets disposed of in 2011. Additionally, we did not identify any receipts that would indicate a disposal of an asset.

We did not receive a response from officials to the exceptions noted above.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the COG's Cost Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the managements of the COG, DODD, the Ohio Department of Medicaid, the Centers for Medicare and Medicaid Services and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

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Dave Yost
Auditor of State

September 23, 2013

cc: Missy McCarthy, Business Manager, Southwestern Ohio Council of Government
Sharon Woodrow, Board President, Southwestern Ohio Council of Government
Superintendents of all Member County Boards of Developmental Disabilities
Business Managers of all Member County Boards of Developmental Disabilities

Appendix A
Southwestern Ohio Council of Government
2011 Income and Expenditure Report and County Summary Workbook Adjustments

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Southwestern Ohio Council of Government Income and Expenditure Report				
Schedule A				
16. Match Paid to DODD on Behalf of all County Boards	\$ 39,100,456	\$ (172,083)		Mac fees misclassified
		\$ (2,040,723)		Admin fees misclassified
		\$ (498,000)	\$ 36,389,650	2009 Waiver reconciliation payment misclassified
Schedule C				
I. County DD Board Fees	\$ 40,496,100	\$ (40,496,100)	\$ -	Transfers misclassified
Butler County Summary Workbook				
Worksheet 2 (Indirect Costs)				
10.COG Expense (Line 5), (O) Non Federal Reimbursable	\$ 5,289	\$ 397,503	\$ 402,792	Admin fees misclassified
Worksheet 6 (MAC)				
15. COG Expense (Line 5), (O) Non Federal Reimbursable	\$ -	\$ 54,199	\$ 54,199	Mac fees misclassified
Hamilton County Summary Workbook				
Worksheet 2 (Indirect Costs)				
10.COG Expense (Line 5), (O) Non Federal Reimbursable	\$ 5,289	\$ 1,643,220	\$ 1,648,509	Admin fees misclassified
Worksheet 6 (MAC)				
15. COG Expense (Line 5), (O) Non Federal Reimbursable	\$ -	\$ 117,884	\$ 117,884	Mac fees misclassified

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SOUTHWEST OHIO COUNCIL OF GOVERNMENT

BUTLER 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
NOVEMBER 7, 2013**