



Dave Yost • Auditor of State

**CLEARWATER COUNCIL OF GOVERNMENTS
OTTAWA COUNTY**

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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, Ohio 43215

Dear Ms. Schroeder:

As permitted by Ohio Rev. Code § 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 Clearwater Council of Governments (COG) prepared its *Income and Expenditure Report (Cost Report)* and *County Summary Workbooks*¹ for the year ended December 31, 2012 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 Governments' management is responsible for preparing these reports. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. 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 2012 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.

Trial Balance Analysis and Non-Payroll Expenditures Testing

1. We compared the COG's total assets to total liabilities plus equity on the trial balance report.

We found no differences.

¹ Clearwater COG recorded receipts and disbursements on behalf of the county boards of developmental disabilities (County Boards). The COG prepared *County Summary Workbooks* to distribute these receipts and disbursements to each of the following County Boards: Crawford, Erie, Huron, Marion, Morrow, Ottawa, Sandusky, Seneca and Wyandot.

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 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 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 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 expenses on worksheets 2 through 5 of the 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. We haphazardly selected a sample of 60 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 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. We scanned the COG's general ledger reports for items purchased during 2012 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.

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 Cost Report and the *County Summary Workbooks*.

We compared the total payroll costs per the COG's payroll register and trial balance with payroll costs reported on the Cost Report and the *County Summary Workbooks*.

We found no differences exceeding two percent.

2. We selected a haphazard sample of five employees and compared the COG's organizational chart to the worksheet on the 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 found differences as reported in Appendix A.

3. We scanned the COG's payroll journal for 2012 and compared classification of employees to entries on the Cost Report and *County Summary Workbooks* to determine if salary and benefit costs were reported in accordance with the Cost Report Guides.

We found differences as reported in Appendix A.

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 Guide for preparing *Worksheet 1, Capital Costs* and 2 CFR 225 (OMB Circular A-87, Appendix B, 15(a)(2)).

We found no inconsistencies between the COG's capitalization procedures and the guidelines listed above.

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 compared all depreciation entries on *Worksheet 1, Capital Costs* of the Cost Report to the COG's Depreciation Schedule.

We found no differences exceeding \$100.

3. We scanned the COG's Depreciation Schedule for 2012 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 Guide.

We found no differences.

4. We compared the COG's final 2011 Depreciation Schedule to the COG's 2012 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 Guide.

We found no differences.

5. We haphazardly selected one of the COG's fixed assets which met the COG's capitalization policy and was being depreciated in its first year in 2012 to determine if the useful live agreed to the estimated useful lives prescribed in the 2008 AHA Asset Guides.

We also recomputed the first year's depreciation for this asset, based on its cost, acquisition date and useful life to determine compliance with the Cost Report Guide.

We found no differences; however we reported differences in Appendix A for items being reported as capitalized which did not meet the capitalization threshold.

6. DODD asked us to haphazardly select the lesser of five percent or five disposed assets in 2012 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 2012 for the disposed items based on its undepreciated basis 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 County Board stated that no capital assets were disposed of in 2012. We did scan the revenue detail and did not note any receipts for the sale of assets.

Medicaid Administrative Claiming Testing

1. DODD asked us to contact its Random Moment Time Study (RMTS) Coordinator to report differences between the MAC salary and benefits versus the County Board's payroll records exceeding one percent.

We compared salaries and benefits entered on the MAC RMTS Summary to the COG's Wage Confirm report.

We found no differences exceeding one percent.

2. We compared the MAC RMTS Summary to Lines 1 and 2 of *Worksheet 4, Medicaid Administrative Claiming* of the Cost Report.

We found no differences.

3. We compared Ancillary Costs on the Roll up Report for Ohio Department of Job and Family Services to Lines 6 through 10 of the *MAC Reconciliation Worksheet*.

We found differences as reported in Appendix A.

4. We selected 12 RMTS observed moments completed by employees of the COG from the DODD RMTS Participant Moments Question and Answer report for the second quarter of 2012 in which they documented their time spent on administering Medicaid-funded programs. We determined if supporting documentation of the COG employees' activity for each observed moment was maintained and the observed moment was properly classified in accordance with DODD's Guide to Medicaid Administrative Claiming (MAC) using the Random Moment Time Studies (RMTS) Methodology for 2010.

We found no differences.

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 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,

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

April 16, 2014

cc: Nancy Richards, Executive Director, Clearwater Council of Government
Amy Lash, Business Manager, Clearwater Council of Government.
Dee Zeffiro-Krenisky, Board President, Clearwater Council of Government
Superintendents of all Member County Boards of Developmental Disabilities
Business Managers of all Member County Boards of Developmental Disabilities

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Appendix A
Clearwater Council of Governments
2012 Income and Expenditure Report and County Summary

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Clearwater Council of Governments				
Worksheet 1				
5. Moveable Equipment	\$ 4,244	\$ (394)	\$ 3,850	To remove depreciation for asset not meeting threshold
Worksheet 2				
1. Salaries	\$ 134,544	\$ (71,238)	\$ 63,306	To agree to supporting documentation
3. Service Contracts	\$ 10,788	\$ 1,630	\$ 12,418	To reclassify person not covered by implementation guide
4. Other Expenses	\$ 257,206	\$ 5,255		To add back asset not meeting threshold
		\$ (2,322)		To reclassify non-federal reimbursable expenses
		\$ (2,394)	\$ 257,745	To reclassify non-federal reimbursable expenses
Worksheet 4				
3 Service Contracts (B) Non-Federal Reimbursable	\$ 1,630	\$ (1,630)	\$ -	To reclassify person not covered by implementation guide
4. Other Expenses (A) MAC Costs			\$ -	
4. Other Expenses (B) Non-Federal Reimbursable	\$ -	\$ 34,502		To record MAC fees
		\$ 2,322		To reclassify non-federal reimbursable expenses
		\$ 2,394	\$ 39,218	To reclassify non-federal reimbursable expenses
MAC Reconciliation Worksheet				
Lines (6-10) Other Cost				
Column A-Reimbursement Requested Through Calendar Year	\$ -	\$ 24,185	\$ 24,185	To agree to compiled report
Crawford				
Worksheet 5				
15. Direct Services (L) Community Residential	\$ 86,963	\$ 4,500		To reclassify special Olympic expenses
		\$ 20,803	\$ 112,266	To reclassify athletic commission salary
15. Direct Services (O) Non-federal Reimbursable	\$ 2,463	\$ (321)	\$ 2,142	To agree to compiled report
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 1,544	\$ 1,544	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 14,146	\$ (427)	\$ 13,719	To reclassify SSA payroll

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Clearwater Council of Governments
2012 Income and Expenditure Report and County Summary

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Worksheet 10				
27. Direct Expense (O) Non-federal Reimbursable	\$ 105,229	\$ (4,500)	\$ 100,729	To reclassify special Olympic expenses
Erie				
Worksheet 5				
15. Direct Services (O) Non-federal Reimbursable	\$ 1,232	\$ (161)	\$ 1,071	To agree to compiled report
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 1,545	\$ 1,545	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 40,680	\$ 2,607	\$ 43,287	To reclassify SSA payroll
Huron				
Worksheet 5				
15. Direct Services (O) Non-federal Reimbursable	\$ 2,463	\$ (321)	\$ 2,142	To agree to compiled report
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 1,544	\$ 1,544	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 20,794	\$ 334	\$ 21,128	To reclassify SSA payroll
Marion				
Worksheet 2				
10. Indirect Services (O) Non-federal Reimbursable *	\$ 13,846	\$ 13,750	\$ 27,596	To reclassify administrative expenses
Worksheet 5				
15. Direct Services (L) Community Residential	\$ -	\$ 6,489	\$ 6,489	To reclassify athletic commission salary
15. Direct Services (O) Non-federal Reimbursable	\$ 2,463	\$ (321)	\$ 2,142	To agree to compiled report
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 1,545	\$ 1,545	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 23,620	\$ 656	\$ 24,276	To reclassify SSA payroll
Worksheet 10				
27. Direct Expense (O) Non-federal Reimbursable	\$ 71,961	\$ (13,750)	\$ 58,211	To reclassify administrative expenses

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Clearwater Council of Governments
2012 Income and Expenditure Report and County Summary

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<u>Morrow</u>				
Worksheet 5				
15. Direct Services (O) Non-federal Reimbursable	\$ 2,483	\$ (321)	\$ 2,162	To agree to compiled report
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 13,472	\$ 1,541	\$ 15,013	To reclassify SSA payroll
<u>Ottawa</u>				
Worksheet 5				
15. Direct Services (L) Community Residential	\$ 75,115	\$ 6,489	\$ 81,604	To reclassify athletic commission salary
15. Direct Services (O) Non-federal Reimbursable	\$ 6,621	\$ (623)	\$ 5,998	To agree to compiled report
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 1,544	\$ 1,544	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 18,496	\$ 71	\$ 18,567	To reclassify SSA payroll
<u>Sandusky</u>				
Worksheet 5				
15. Direct Services (O) Non-federal Reimbursable	\$ 2,463	\$ (321)	\$ 2,142	To agree to compiled report
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 824	\$ 824	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 918	\$ (918)	\$ -	To reclassify SSA payroll
<u>Seneca</u>				
Worksheet 5				
15. Direct Services (L) Community Residential	\$ 40,564	\$ 6,489	\$ 47,053	To reclassify athletic commission salary
Worksheet 7-B				
18. Nursing Services (L) Community Residential	\$ -	\$ 1,545	\$ 1,545	To reclassify QARN salaries
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 14,650	\$ (369)	\$ 14,281	To reclassify SSA payroll

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 Clearwater Council of Governments
 2012 Income and Expenditure Report and County Summary

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Wyandot				
Worksheet 5				
15. Direct Services (L) Community Residential	\$ 121,477	\$ 6,489	\$ 127,966	To reclassify athletic commission salary
15. Direct Services (O) Non-federal Reimbursable	\$ 2,463	\$ (321)	\$ 2,142	To agree to compiled report
Worksheet 9				
26. Service & Support Adm (N) Service & Support Admin	\$ 9,181	\$ 1,050	\$ 10,231	To reclassify SSA payroll

* Original Cost Report balances have been adjusted to reflect allocations as a result of the above adjustments to Worksheet 1, Worksheet 2 of the COG Cost Report. Other county summary



Dave Yost • Auditor of State

CLEARWATER COUNCIL OF GOVERNMENTS

OTTAWA 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
JUNE 3, 2014**