

***WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2013 & 2012***







# Dave Yost • Auditor of State

Members of the Executive Council  
West Central Ohio Network  
315 East Court Street  
Sidney, Ohio 45365

We have reviewed the *Independent Auditor's Report* of the West Central Ohio Network, Shelby County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 West Central Ohio Network is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 2, 2014

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**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2013 & 2012**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT

West Central Ohio Network  
Shelby County  
315 East Court Street  
Sidney, Ohio 45365

To Members of the Executive Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the West Central Ohio Network, Shelby County, Ohio (WestCON), as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to WestCON's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of WestCON's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, WestCON prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of WestCON as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the West Central Ohio Network, Shelby County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2014, on our consideration of WestCON'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WestCON's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

August 25, 2014

WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2013

	Governmental Fund Types		Total - Memorandum Only
	General	Special Revenue	
<b>Receipts:</b>			
Intergovernmental-Federal	\$ 160,085	\$ -	\$ 160,085
Intergovernmental-Local	81,597	5,990,122	6,071,719
Earnings on Investments	820,863	-	820,863
Administrative Fees	55,078	-	55,078
Autism Grant	87,750	-	87,750
Miscellaneous	11,194	40,293	51,487
<b>Total Receipts</b>	<b>1,216,567</b>	<b>6,030,415</b>	<b>7,246,982</b>
<b>Disbursements:</b>			
<b>Supported Living:</b>			
Administrative Fee	-	60,647	60,647
Contractual Service	-	4,302,332	4,302,332
Other Expenses	-	1,380	1,380
<b>Family Resources:</b>			
Contractual Service	-	88,981	88,981
<b>Licensed Beds:</b>			
Administrative Fee	-	11,883	11,883
Contractual Service	-	55,986	55,986
<b>Critical Needs Fund:</b>			
Contractual Service	-	259,462	259,462
<b>Counry Board Fund:</b>			
Contractual Service	-	3,278,357	3,278,357
Administrative Fee	-	54,918	54,918
Administrative Expenses	764,350	-	764,350
Capital Outlay	15,058	-	15,058
<b>Total Disbursements</b>	<b>779,408</b>	<b>8,113,946</b>	<b>8,893,354</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>437,159</b>	<b>(2,083,531)</b>	<b>(1,646,372)</b>
<b>Other Financing Sources/(Uses):</b>			
Investment Re-Distribution	(508,516)	508,516	-
<b>Total Other Financing Sources/(Uses)</b>	<b>(508,516)</b>	<b>508,516</b>	<b>-</b>
<b>Total Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>(71,357)</b>	<b>(1,575,015)</b>	<b>(1,646,372)</b>
<b>Fund Cash Balance, January 1, 2013</b>	<b>2,581,582</b>	<b>7,579,627</b>	<b>10,161,209</b>
<b>Fund Cash Balance:</b>			
Restricted	-	6,004,612	6,004,612
Assigned	200,093	-	200,093
Unassigned	2,310,132	-	2,310,132
<b>Fund Cash Balance, December 31, 2013</b>	<b>\$ 2,510,225</b>	<b>\$ 6,004,612</b>	<b>\$ 8,514,837</b>

See Accompanying Notes to the Financial Statements.



WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2012

	Governmental Fund Types		Total - Memorandum Only
	General	Special Revenue	
<b>Receipts:</b>			
Intergovernmental-Federal	\$ 140,579	\$ -	\$ 140,579
Intergovernmental-State	-	616,884	616,884
Intergovernmental-Local	-	4,184,106	4,184,106
Waiver Match Reconciliations	-	23,991	23,991
Earnings on Investments	757,838	-	757,838
Administrative Fees	38,419	-	38,419
Autism Grants	106,050	-	106,050
Miscellaneous	10,938	33,252	44,190
<b>Total Receipts</b>	<b>1,053,824</b>	<b>4,858,233</b>	<b>5,912,057</b>
<b>Disbursements:</b>			
Supported Living:			
Housing Expenditures	-	116,910	116,910
Contractual Service	-	6,778,465	6,778,465
Family Resources:			
Contractual Service	-	110,415	110,415
Licensed Beds:			
Administrative Fee	-	11,883	11,883
Contractual Service	-	57,937	57,937
Critical Needs Fund:			
Contractual Service	-	268,474	268,474
Counry Board Fund:			
Contractual Service	-	141,034	141,034
Administrative Fee	796,480	59,738	856,218
Capital Outlay	8,970	-	8,970
<b>Total Disbursements</b>	<b>805,450</b>	<b>7,544,856</b>	<b>8,350,306</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>248,374</b>	<b>(2,686,623)</b>	<b>(2,438,249)</b>
<b>Other Financing Sources/(Uses):</b>			
Investment Re-Distribution	(372,241)	372,241	-
<b>Total Other Financing Sources/(Uses)</b>	<b>(372,241)</b>	<b>372,241</b>	<b>-</b>
<b>Total Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>(123,867)</b>	<b>(2,314,382)</b>	<b>(2,438,249)</b>
<b>Fund Cash Balance, January 1, 2012</b>	<b>2,705,449</b>	<b>9,894,009</b>	<b>12,599,458</b>
<b>Fund Cash Balance:</b>			
Restricted	-	7,579,627	7,579,627
Assigned	200,093	-	200,093
Unassigned	2,381,489	-	2,381,489
<b>Fund Cash Balance, December 31, 2012</b>	<b>\$ 2,581,582</b>	<b>\$ 7,579,627</b>	<b>\$ 10,161,209</b>

See Accompanying Notes to the Financial Statements.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

West Central Ohio Network, Shelby County, (WestCON) is a non-profit governmental agency known as a Regional Council of Governments. WestCON was created by seven county boards of mental retardation and developmental disabilities in September of 1990 to administer supported living services to the counties of Auglaize, Darke, Logan, Mercer, Miami, Shelby, and Union. Hardin County became a member in 2001 and Preble County became a member in 2005. WestCON is governed by an executive council of nine members that are the Superintendents of each local county board of mental retardation and developmental disabilities which is a WestCON member. At the organizational meeting of each year, which shall be held in January, the members shall elect officers of the executive council. The officers of the council shall be a President, Vice-President, Secretary, and Treasurer. There shall be no term limitations for WestCON council members. The executive council authorizes expenditures as well as serving as the contracting body and the chief administrators of public services for WestCON. The council appoints an Executive Director of WestCON that is responsible for organizing, administering, and operating WestCON in accordance with the council's established program.

Supported Living is an approach for assisting individuals with mental retardation and other developmental disabilities to live in the community based on their needs and their preferences. Member County Board Staff assess needs and develop plans for services that support eligible individuals who live in the community. WestCON provides technical assistance, performs duties on behalf of member County Boards, and pays for services and/or through County Board Authorizations. WestCON also pays match to the State of Ohio, on behalf of member County Boards, for Federal Medicaid Waiver Funds that support home and community based services provided to eligible individuals as paid by the State of Ohio.

The WestCON management believes these financial statements present all activities for which the WestCON is financially accountable.

B. BASIS OF ACCOUNTING

WestCON prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. CASH

To improve cash management, all cash received by WestCON is deposited into one of six bank accounts. All monies received for supported living, residential facility waiver, and administrative purposes are deposited into the main account. Monies received for family resources are deposited into a separate account. Additional accounts exist for each of these categories and monies are transferred monthly into the respective main account.

Monies in the main account are used to purchase all investments. Investment earnings are allocated to the General Fund.

B. FUND ACCOUNTING

WestCON maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of WestCON. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio and the bylaws of WestCON.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. WestCON has the following significant Special Revenue funds:

- Supported Living – These funds are used for supported living services and for matching Federal Medicaid funds paid by the Ohio Department of Developmental Disabilities which assist persons with MR/DD to live in the home of their choice with the support required.
- Family Resource Service – These funds are used to provide respite services and other support to eligible individuals who live with families and who qualify for the support.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

- Licensed Beds (formerly Residential Facility Waiver) – These funds are used to assist eligible persons with a broad array of residential services.
- County Board – These funds account for funds provided by the member County Board for a specific purpose such as to pay the non-federal portion of Federal Medicaid used to support individuals who live in the community.
- Critical Needs – Funds provided by the County Board to provide services in place of Family Support Services (FSS) which are responsive to local needs of recipients and which are more flexible because they are not tied to State FSS rules.

E. BUDGETARY PROCESS

WestCON is not required to follow budgetary procedures as prescribed by the Ohio Revised Code; however, WestCON uses internal budgets for planning purposes, which they adopt annually for expenditures.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which WestCON must observe constraints imposed upon the use of its governmental-fund resources.

1. Nonspendable- WestCON classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
2. Restricted- Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. Committed- The Executive Council can commit amounts via formal action (resolution). WestCON must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. FUND BALANCE- (Continued)

4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Executive Council.
5. Unassigned- Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

WestCON applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. UNPAID VACATION AND SICK LEAVE

In certain circumstances employees are entitled to cash payments for unused vacation and sick leave, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by WestCON.

2. DEPOSITS AND INVESTMENTS

Monies held by WestCON are classified into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the WestCON treasury. Active monies are maintained either as cash in the WestCON treasury, in commercial accounts payable or withdrawable on demand accounts, including negotiable order of withdrawal (NOW) accounts, or in investments which will mature or are redeemable within one year.

**WEST CENTRAL OHIO NETWORK**  
**SHELBY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

2. DEPOSITS AND INVESTMENTS – (Continued)

Interim monies are those monies in the treasury after award of inactive deposits which are not needed for immediate use. Interim monies are deposited or invested in obligations which will mature or are redeemable within one to three years of the settlement date.

Inactive deposits are public deposits that WestCON has identified as not required for use within the current three year period of designation of depositories and will mature or are redeemable within three to five years of the settlement date. Inactive deposits are invested in investment grade cumulative preferred stocks and investment grade corporate bonds.

Deposits:

As of December 31, 2013, the carrying amount of WestCON's deposits was \$2,225,260 and the depository balance was \$2,329,416. Of the depository balance, \$250,000 was covered by FDIC, \$340,722 was uninsured and collateralized with securities held by the pledging institutions trust department not in WestCON's name, and \$1,738,694 was covered by SIPC and private insurance.

As of December 31, 2012, the carrying amount of WestCON's deposits was \$1,642,289 and the depository balance was \$2,633,552. Of the depository balance, \$250,000 was covered by FDIC, \$283,505 was uninsured and collateralized with securities held by the pledging institutions trust department not in WestCON's name, and \$2,100,047 was covered by SIPC and private insurance.

Protection of WestCON's cash and investments are protected by FDIC and the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government or a regulatory authority, but a nonprofit, membership corporation, funded by its member securities broker-dealers. Customers of a failed firm receive all securities registered in their names or in the process of being so registered. Customers receive, on a pro rata basis, all remaining customer cash and securities held by the firm.

After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer, up to a maximum of \$500,000, including up to \$100,000 on claims for cash (as a distinct from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

2. DEPOSITS AND INVESTMENTS – (Continued)

Merrill Lynch, WestCON’s broker, also has obtained private insurance to supplement SIPC limits to satisfy claims up to \$600 million, including up to \$1.9 million for cash.

Investments:

WestCON had the following investments at December 31:

	2013 <u>Carrying Value</u>	2012 <u>Carrying Value</u>
Municipal Bonds and Gov’t Securities	\$4,094,408	-
Corporate Bonds & Stocks	<u>2,195,169</u>	<u>\$ 8,518,920</u>
Total	<u>\$6,289,577</u>	<u>\$ 8,518,920</u>

3. RISK MANAGEMENT

WestCON is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

WestCON maintains general liability insurance in the amount of \$2,000,000 for each occurrence and \$5,000,000 in aggregate.

Workers’ compensation benefits are provided through the State Bureau of Worker’s Compensation. The premium is calculated based upon accident history and administrative costs.

WestCON provides health insurance for all full-time employees. WestCON provides health insurance benefits through a private carrier.

There has been no significant reduction in insurance coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

4. RETIREMENT SYSTEM

WestCON employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10.0% of their gross pay while WestCON contributed an amount equal to 14.00% of covered payroll. WestCON paid all required contributions through 2013.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012**

5. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

West Central Ohio Network  
Shelby County  
315 East Court Street  
Sidney, Ohio 45365

To Members of the Executive Council:

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 West Central Ohio Network, Shelby County (WestCON), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 25, 2014 wherein we noted WestCON followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

***Internal Controls Over Financial Reporting***

As part of our financial statement audit, we considered WestCON'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 WestCON'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 we identified certain deficiencies in internal control over financial reporting that we consider to be 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 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 WestCON's financial statements. 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. We consider findings 2013-WES-01 and 02 described in the accompanying schedule of findings to be material weaknesses.

West Central Ohio Network  
Shelby County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and on Compliance and  
Other Matters Required by *Government Auditing Standards*

***Compliance and Other Matters***

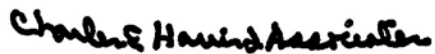
As part of reasonably assuring whether WestCON's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as 2013-WES-03.

***Entity's Response to Findings***

WestCON's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit WestCON'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 WestCON's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering WestCON's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
August 25, 2014

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2013 and 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2013-WES-01 - Material Weakness**

The accounting system of WestCON consists of ten separate data bases, nine which account for the financial activities of the nine member counties and one other data base which accounts for the administrative activities of WestCON. The data bases are not integrated to the extent that financial statements can be prepared that are in accordance with the financial reporting provisions permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). Therefore, they are prepared manually and only at year end. Errors that accumulate throughout the year go undetected and uncorrected. The financial statements at December 31, 2013 contained uncorrected errors which resulted in the cash balance being understated by \$140,700.

Proper internal control provides that WestCON should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We recommend that WestCON consider implementing an accounting system which allows for the integration of the accounting for the nine represented counties with the accounting for the administrative functions of WestCON and with the preparation of financial statements.

We also recommend WestCON implement monthly reconciliation procedures that ensure the accuracy and completeness of transactions and the annual financial reports.

The financial statements have been adjusted to properly reflect the cash balances at December 31, 2013.

Management Response:

The Board of Directors, Executive Director and Business Manager are aware of the issues with the current software used at WestCON and are currently researching other software options available to serve our needs and the needs of the member county boards. Calendar year 2013 also saw an upgrade in the software currently used, a change in the Executive Director and a change in the Business Manager, making the task of tracking all revenue and expenses even more challenging.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2013 and 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2013-WES-02- Material Weakness**

Medicaid matching funds were remitted to the state for member counties by the counties themselves and also, from time to time, by WestCON on behalf of the member counties. Due to a lack of coordination between WestCON and the member counties, there were duplicate payments made to the state. In 2012 an overpayment of \$438,444 was made to the state by WestCON which went undetected until the state contacted WestCON to notify them of the overpayment.

We recommend that WestCON develop a procedure to ensure that duplicate payments are not issued on behalf of member county boards.

Management Response:

At the time that the overpayment was issued to the State of Ohio, the previous Executive Director was terminated and a new Executive Director had not been hired. This caused a breakdown of communication between county boards and WestCON, resulting in an overpayment for one county. Procedures are now in place to ensure that WestCON is aware of all payments to be made on behalf of county boards prior to the check being issued.

**Finding Number 2013-WES-03- Noncompliance**

ORC 135.01-.22 prohibits a regional council of county boards of developmental disabilities from investing in the publicly traded stocks and bonds of for-profit corporations. Contrary to this requirement, WestCON maintained accounts with Merrill Lynch who bought and sold corporate stocks and bonds on WestCON's behalf. In 2012, upon receiving an opinion from the attorney general of the State of Ohio that such investments were not statutorily authorized, WestCON began liquidating these investments. These accounts held corporate stocks and bonds with a carrying value of \$8,518,920 and \$2,195,169 at December 31, 2012 and 2013, respectively. The market value of the remaining corporate investments at December 31, 2013 was \$1,886,516, \$308,653 below their carrying value.

We make no recommendation regarding this noncompliance as WestCON has already revised their investment policy to comply with the Ohio Revised Code and has begun liquidating their corporate investments.

Management Response:

We did not receive a management response.

**WEST CENTRAL OHIO NETWORK  
SHELBY COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2013 and 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the years ended December 31, 2011 and 2010, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

## WEST CENTRAL OHIO NETWORK

### SHELBY 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  
OCTOBER 14, 2014