



Dave Yost • Auditor of State

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Consortium Council of Governments
Geauga County
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Northeast Ohio Consortium Council of Governments, Geauga County, Ohio (NOC COG), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the NOC COG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 the NOC COG'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 the NOC COG'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Northeast Ohio Consortium Council of Governments, Geauga County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the NOC COG's basic financial statements taken as a whole.

The Federal Awards Expenditures Schedule presents additional analysis as 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records 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 information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the NOC COG'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 the NOC COG's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015

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Northeast Ohio Consortium Council of Governments

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

The discussion and analysis of the Northeast Ohio Consortium Council of Governments (NOC COG) financial performance provides an overall review of NOC COG's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at NOC COG's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of NOC COG's financial performance.

Financial Highlights

Key Financial Highlights for the fiscal year 2014 are as follows:

- NOC COG Ohio Means Jobs Center locations provided services for 17,716 visits by adults and dislocated workers through the Workforce Investment Act during fiscal year 2014. NOC COG also served approximately 170 youth in intensive youth programming.
- During fiscal year 2014, NOC COG conducted 266 business interviews (157 through the Business Resource Network, and the remainder by Geauga County's Business Service Representative) offering assistance with economic and workforce development. NOC COG also posted and attempted to fill approximately 218 job orders for local employers, and provided 40+ employers with compensation for hiring new employees and providing on-the-job training.
- NOC COG had \$3,107,682 in expenses related to governmental activities which were fully offset by program revenues of \$3,129,556.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand NOC COG as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the NOC COG, presenting both an aggregate view of NOC COG's finances and a longer-term view of those assets. The Statement of Activities shows a net (expense) revenue and changes to net position related to each department of NOC COG. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Reporting on the Northeast Ohio Consortium Council of Governments as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and Statement of Activities include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report NOC COG's net position and the change in that position. The change in net position is important because it tells the reader whether, for NOC COG as a whole, the financial position of NOC COG has improved or diminished.

Northeast Ohio Consortium Council of Governments

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

All of NOC COG's programs and services are reported as Governmental Activities in the Statement of Net Position and the Statement of Activities. Governmental Activities consist of functions that are primarily supported by intergovernmental revenues. Activities include administration, adult, dislocated workers, youth and other funding streams as available.

Reporting on the Most Significant Fund

Governmental Fund

The presentation for NOC COG's only fund, the Workforce Investment Act (WIA) special revenue fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The WIA special revenue fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of NOC COG's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our users. In fiscal year 2014, there were no differences to reconcile between the government-wide statements and the fund statements for governmental funds.

Northeast Ohio Consortium Council of Governments as a Whole

Recall that the Statement of Net Position looks at NOC COG as a whole. Table 1 provides a summary of NOC COG's net position for fiscal year 2014 compared to fiscal year 2013.

Table 1
Net Position

	2014	2013	Change
Assets			
Current and Other Assets-General	\$289,281	\$137,307	\$151,974
Current and Other Assets-One Stop	99,472	116,291	(16,819)
Current and Other Assets-Business			
Resource Network	48,145	27,883	20,262
<i>Total Assets</i>	<u>436,898</u>	<u>281,481</u>	<u>155,417</u>
Liabilities			
Accounts Payable	160,432	24,987	(135,445)
Accrued Wages	4,769	2,243	(2,526)
Intergovernmental Payable	96,076	103,398	7,322
<i>Total Liabilities</i>	<u>261,277</u>	<u>130,628</u>	<u>(130,649)</u>
Net Position			
Restricted	<u>\$175,621</u>	<u>\$150,853</u>	<u>\$24,768</u>

Current assets increased due to an increase in regular formula funding which resulted in higher intergovernmental revenues.

Liabilities consisted of accounts payable, accrued wages and intergovernmental payables. Total liabilities were higher than last fiscal year due to a greater amount of outstanding invoices to be paid at fiscal year-end.

Northeast Ohio Consortium Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013.

Table 2
Changes in Net Position

	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services	\$282,151	\$150,917	\$131,234
Operating Grants and Contributions	2,847,405	1,638,612	1,208,793
General Revenues			
Refunds	2,888	4,066	(1,178)
Interest	6	0	6
Miscellaneous	0	165	(165)
Total Revenues	3,132,450	1,793,760	1,338,690
Program Expenses			
Administration	408,215	224,457	(183,758)
Adult	755,743	328,875	(426,868)
Dislocated Worker	411,020	353,486	(57,534)
Youth	866,758	636,937	(229,821)
Worker Training	25,159	3,340	(21,819)
Rapid Response	141,807	0	(141,807)
Ohio Works Incentive Program	184,179	0	(184,179)
Ohio Means Jobs Rebranding	13,807	0	(13,807)
One Stop	300,994	245,051	(55,943)
Total Program Expenses	3,107,682	1,792,146	(1,315,536)
Change in Net Position	24,768	1,614	23,154
Net Position Beginning of Year	150,853	149,239	1,614
Net Position End of Year	\$175,621	\$150,853	\$24,768

The main revenue for NOC COG is Workforce Investment Act grants through the Ohio Department of Job and Family Services by the United States Department of Labor. During fiscal year 2014, total revenues increased significantly due to an increase in regular formula funding. The significant increase in program expenses reflects the increase in funding.

Northeast Ohio Consortium Council of Governments Fund

Information about NOC COG's governmental fund begins with the balance sheet. NOC COG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of NOC COG's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the NOC COG's financing requirements.

As of the end of the current fiscal year, NOC COG's governmental fund reported an ending fund balance of \$175,621. As NOC COG only has one governmental fund, the analysis from a fund perspective is the same as the analysis already presented on a government-wide basis, as NOC COG has no capital assets.

Northeast Ohio Consortium Council of Governments

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Budgeting Highlights

The NOC COG's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30, 2014. NOC COG's annual budget is not subject to formal budget commission procedures and/or legal requirements. NOC COG's primary funding source is Federal and State grants, which have grant periods that may or may not coincide with NOC COG's fiscal year. Due to the nature of NOC COG's dependency on Federal and State budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

NOC COG's annual budget differs from that of a local government in two respects. First the uncertain nature of grant awards from other entities and second conversion of grant budgets to a fiscal year basis. The resultant annual budget is subject to constant change within the fiscal year due to increases/decreases in actual grant awards from those estimated, changes in grant periods, unanticipated grant awards not included in the budget and expected grant awards which fail to materialize.

NOC COG's annual budget for the WIA special revenue fund is reviewed and approved by the Executive Board and used throughout each fiscal period to monitor activity and ensure sound fiscal management. Modifications are made as needed to remain within established spending limits for the year and as additional initiatives are added or as existing projects/programs change.

Actual revenues and expenses for fiscal year 2014 increased significantly due to increases in regular formula funding. As the fiduciary agent of taxpayer funds, NOC COG diligently searches for new and more efficient methods to reduce and/or contain operating expenses. NOC COG's goal continues to be to serve the maximum customers with the allocations available.

Current Financial Related Activities

Significant economic factors affecting NOC COG are as follows:

- Federal Workforce Investment Act funding through the U.S. Department of Labor
- National, State and Local unemployment rates
- National, State and Local poverty and income levels
- Inflationary pressure on training, services, supplies and other program and operational costs

NOC COG program allocations are calculated by the Ohio Department of Job and Family Services (ODJFS) based on a formula specified in the Workforce Investment Act. This formula considers various economic factors including income levels and unemployment rates.

Contacting the Northeast Ohio Consortium Council of Governments Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with the general overview of NOC COG's finances and to show NOC COG's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information, contact Craig F. Sernik, Executive Director, Northeast Ohio Consortium Council of Governments, 385 Center Street, Suite #100, Chardon, Ohio 44024.

Northeast Ohio Consortium Council of Governments

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents - General	\$30,970
Equity in Pooled Cash and Cash Equivalents - One-Stop	61,139
Equity in Pooled Cash and Cash Equivalents - Business Resource Network	48,145
Intergovernmental Receivable	290,523
Accounts Receivable	3,774
Prepaid Items	<u>2,347</u>
<i>Total Assets</i>	<u>436,898</u>
Liabilities	
Accounts Payable	160,432
Accrued Wages	4,769
Intergovernmental Payable	<u>96,076</u>
<i>Total Liabilities</i>	<u>261,277</u>
Net Position	
Restricted for Job Training Programs	<u><u>\$175,621</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				Governmental Activities
Administration	\$408,215	\$0	\$414,137	\$5,922
Adult	755,743	0	766,707	10,964
Dislocated Workers	411,020	0	416,983	5,963
Youth	866,758	0	879,332	12,574
Worker Training	25,159	0	25,524	365
Rapid Response	141,807	0	143,864	2,057
Ohio Works Incentive Program	184,179	0	186,851	2,672
Ohio Means Jobs Rebranding	13,807	0	14,007	200
One Stop	300,994	282,151	0	(18,843)
<i>Totals</i>	<u>\$3,107,682</u>	<u>\$282,151</u>	<u>\$2,847,405</u>	<u>21,874</u>
		<i>General Revenues:</i>		
		Refunds		2,888
		Interest		6
		<i>Total General Revenues</i>		<u>2,894</u>
		Changes in Net Position		24,768
		<i>Net Position Beginning of Year</i>		<u>150,853</u>
		<i>Net Position End of Year</i>		<u><u>\$175,621</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

Balance Sheet

Governmental Fund

June 30, 2014

	WIA Fund
Assets	
Equity in Pooled Cash and Cash Equivalents - General	\$30,970
Equity in Pooled Cash and Cash Equivalents - One Stop	61,139
Equity in Pooled Cash and Cash Equivalents - Business Resource Network	48,145
Intergovernmental Receivable	290,523
Accounts Receivable	3,774
Prepaid Items	2,347
	<hr/>
<i>Total Assets</i>	\$436,898
	<hr/> <hr/>
Liabilities	
Accounts Payable	\$160,432
Accrued Wages	4,769
Intergovernmental Payable	96,076
	<hr/>
<i>Total Liabilities</i>	261,277
	<hr/>
Fund Balance	
Nonspendable	2,347
Restricted	173,274
	<hr/>
<i>Total Fund Balance</i>	175,621
	<hr/>
<i>Total Liabilities and Fund Balance</i>	\$436,898
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See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2014

	WIA Fund
Revenues	
Intergovernmental	\$2,847,405
Refunds	2,888
One Stop	282,151
Interest	6
<i>Total Revenues</i>	3,132,450
Expenditures	
Administration	408,215
Adult	755,743
Dislocated Workers	411,020
Youth	866,758
Worker Training	25,159
Rapid Response	141,807
Ohio Works Incentive Program	184,179
Ohio Means Jobs Rebranding	13,807
One Stop	300,994
<i>Total Expenditures</i>	3,107,682
<i>Net Change in Fund Balance</i>	24,768
<i>Fund Balance Beginning of Year</i>	150,853
<i>Fund Balance End of Year</i>	\$175,621

See accompanying notes to the basic financial statements

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 1 – Description of the Entity

The Workforce Investment Act (WIA) passed by Congress in August 1998 redesigned federal training programs. WIA made significant changes in how federally funded job-training programs and services are delivered. The passage of WIA gave states and local units of government the power to determine the allocation of WIA dollars in providing training and services to participants. WIA also changed the way federally funded job-training programs are structured, the type of services provided and who is eligible to receive services.

The Northeast Ohio Consortium Council of Governments (NOC COG) was established in 2013 from its predecessor the Geauga-Ashtabula-Portage Partnership (GAPP, Inc) established in 2004 as an exempt organization under Internal Revenue Code Section 501(c)(3) for the express purpose of serving as the administrative and fiscal agent of Ohio WIA Area 19. All assets and records were conveyed by GAPP Inc. to the NOC COG, and all GAPP Inc. employees were terminated by GAPP Inc. and hired by the NOC COG. GAPP, Inc.'s corporate dissolution was filed with the Ohio Secretary of State's office on December 11, 2013.

The NOC COG, a public entity incorporated under the laws of the State of Ohio and was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3), functions as the administrative and fiscal agent, for Geauga, Ashtabula, and Portage Counties (WIA Area 19) of all Title I WIA funds and other relative workforce development activities funding sources and is responsible for complying with all State and federal fiscal reporting requirements.

For financial reporting purposes, all departments and operations over which NOC COG exercises financial accountability are included in the reporting entity.

No governmental units other than NOC COG itself are included in the reporting entity. NOC COG does not have oversight responsibility over any other governmental unit. This is evidenced by the fact that, with respect to any other governmental unit, there is no financial interdependency and NOC COG does not select their governing authority, designate their management, exercise significant influence over their daily operations or maintain their accounting records.

NOC COG participates in a public entity risk pool, the County Risk Sharing Authority. This organization is presented in Note 11 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Northeast Ohio Consortium Council of Governments have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The more significant of the NOC COG's accounting policies are described below.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Basis of Presentation

NOC COG's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about NOC COG as a whole. These statements include the financial activities of the primary government. These statements distinguish between those activities of NOC COG that are governmental and those that are considered business-type. NOC COG, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of NOC COG at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of NOC COG's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenue of NOC COG, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of NOC COG.

Fund Financial Statements Fund financial statements report detailed information about the organization. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. NOC COG's only governmental fund is the WIA special revenue fund which accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Measurement of Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of NOC COG are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. In fiscal year 2014, there were no differences to reconcile between the government-wide statements and the fund statements for governmental funds.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The WIA special revenue fund uses the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For NOC COG, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which NOC COG receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which NOC COG must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to NOC COG on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources such are considered to be both measurable and available at fiscal year-end: grants and investment earnings.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Capital Assets

Capital assets include furniture and equipment purchased by Northeast Ohio Consortium Council of Governments, for the use of Northeast Ohio Consortium Council of Governments. These assets generally result from expenditures in the governmental funds. NOC COG's property management standards require that depreciation be computed on all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more. Northeast Ohio Consortium Council of Governments does not have any capital assets.

All capital assets that may have been purchased by NOC COG, as fiscal agent for Geauga, Ashtabula and Portage Counties, with Workforce Investment Act program grant funds, were purchased for the use of said counties. Therefore, each county is responsible for the recording of any capital assets purchased through NOC COG, and the computation and recording of depreciation.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

To improve cash management, all cash received by NOC COG is pooled in a central bank account. Monies for all funds are maintained in the account or temporarily used to purchase short term investments. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by NOC COG are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. NOC COG does not have any investments at this time.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the fiscal year which services are consumed.

Accrued Liabilities

All payables are reported in the government-wide financial statements.

Governmental fund payables that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which NOC COG is bound to observe constraints imposed upon the use of the resources in the governmental funds. NOC COG, however, only uses the following two:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The NOC COG applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 3 – Fund Balances

Fund balance is classified as nonspendable and restricted based primarily on the extent to which NOC COG is bound to observe constraints imposed upon the use of the resources in the government funds. At fiscal year-end, \$2,347 of the fund balance was nonspendable in relation to prepaid insurance and the remaining \$173,274 was restricted due to constraints imposed by grants for a total fund balance of \$175,621.

Note 4 – Deposits and Investments

Monies held by NOC COG are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the NOC COG treasury. Active monies must be maintained either as cash in the NOC COG treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that NOC COG has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of NOC COG's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage, and short selling are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of NOC COG, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 5 – Receivables

Receivables at June 30, 2014, consisted of accounts and intergovernmental grants. Intergovernmental receivables represent amounts owed to NOC COG from the Ohio Department of Jobs and Family Services for grant funds earned but not received in the amount of \$290,523. All receivables are considered fully collectible and will be received within one year.

Note 6 – Defined Benefit Pension Plan

Plan Description – NOC COG participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for local government employers. For the fiscal year ended June 30, 2014, the members of all three plans were required to contribute 10.0 percent of their annual salaries.

The NOC COG's contribution rate for fiscal year 2014 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The NOC COG's required contributions for pension obligations to the Traditional Pension and Combined Plans for the fiscal years ended June 30, 2014, 2013 and 2012 were \$25,487, \$12,866 and \$17,824, respectively; 98.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. There were no contributions to the member-directed plan for fiscal year 2014.

Note 7 – Postemployment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2014, local government employers contributed at a rate of 14.0 percent of covered payroll.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For July through December 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The NOC COG's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,058, \$5,147 and \$7,129, respectively; 98.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 8 – Contingent Liabilities

There are no pending material lawsuits in which Northeast Ohio Consortium Council of Governments is involved.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies.

There are no expenditures recommended for disallowance. Costs recommended for disallowance are those involving expenditures for which existing documentary evidence leads the auditor to conclude that the expenditures were in violation of legislative or regulatory requirements. These costs are disallowed by the grantor unless the grantee is able to convince the grantor that they were made in accordance with legal or regulatory requirements.

Note 9 – Lease Commitments

NOC COG does not have any material lease commitments. Total office rent expense was \$12,650 for fiscal year ended June 30, 2014. NOC COG leases office space under a certain operating lease for one year at a time.

Northeast Ohio Consortium Council of Governments

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 10 – Risk Management

Property and Liability Insurance

NOC COG is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, NOC COG contracted with County Risk Sharing Authority (CORSA) for officer and director liability, general liability, automobile liability and business personal property insurance. The director and officer liability policy provides aggregate coverage in the amount of \$1,000,000 with a deductible of \$5,000. The general liability and automobile liability coverage is \$1,000,000 for each occurrence with a deductible of \$2,500. The business personal property coverage limit is \$50,000 with a deductible of \$2,500 in any one occurrence.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Workers' compensation coverage is provided by the State. NOC COG pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

As NOC COG does not have capital assets, no other type of insurance is necessary.

Employee Medical Benefits

NOC COG provides life, health, and dental insurance to its employees through Anthem Blue Cross Blue Shield.

Note 11 – Public Entity Risk Pool

The County Risk Sharing Authority (CORSA) is a public entity risk sharing pool among sixty-five counties in Ohio. CORSA was established in 1987 as an Ohio nonprofit, self-insured pool to provide member counties with the best comprehensive property and liability coverage and highest quality risk management services at a stable and competitive price.

Member Counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. CORSA provides comprehensive coverage and risk management services for property and liability coverage including general liability, law enforcement liability, automobile liability, errors and omissions, direct physical loss or damage, equipment breakdown and crime.

CORSA is governed by nine Directors, who are County Commissioners from member counties. The Directors are elected by CORSA members and are eligible to serve three, two year terms. The officers are elected by the Board of Directors, and are eligible to serve two, one year terms. Each member county designates a voting representative and alternate in accordance with CORSA's Code of Regulations.

CORSA has earned the Advisory Standards Recognition from the association of Governmental Risk Pool (AGRIP). The award recognizes those pools that adhere to the eighty-eight "best practices" standards as established by AGRIP's Membership Practices Committee, relating to the governance, management, financial accounting and operation of the pool.

Northeast Ohio Consortium Council of Governments

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 12 – Subsequent Event

Effective as of July 1, 2015, the Workforce Investment Act (WIA) will be replaced by the Workforce Innovation and Opportunity Act (WIOA) signed into law in July 2014.

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
 GEAUGA COUNTY
 FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor	CFDA Number	Pass-Through Entity Number	Expenditure
U.S. Department of Labor:			
Pass-Through from Ohio Department of Job & Family Services:			
Workforce Investment Act (Cluster)			
WIA Adult Program	17.258	(A)	\$ 964,145
WIA Adult - Administration		(A)	141,323
Non-Formulary-Grants		(A)	69,805
Total - WIA Adult Program			<u>1,175,273</u>
WIA Youth - Administration	17.259	(A)	172,271
WIA Youth Activities		(A)	962,470
Total - WIA Youth Activities			<u>1,134,741</u>
WIA Dislocated Worker Formula Grants	17.278	(A)	397,519
WIA Dislocated Worker - Administration		(A)	118,670
Rapid Response		(A)	113,078
Total - Dislocated Worker Formula Grants			<u>629,267</u>
Total Workforce Investment Cluster			2,939,281
WIA - Dislocated Worker Formula Grants: Rapid Response	17.260	(A)	24,750
WIA - National Emergency Grant (NEG OH-27)	17.277	(A)	<u>27,059</u>
Total U.S. Department of Labor			<u>\$ 2,991,090</u>

(A) Project number not known or applicable

The accompanying notes are an integral part of this Schedule.

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Northeast Ohio Consortium Council of Governments (NOC COG) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The NOC COG passes certain federal awards received from the Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the NOC COG reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, NOC COG has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and to ensure that subrecipients achieve the award's performance goals.

NOTE C – ADMINISTRATIVE EXPENSES

The Administrative expenses for these programs are allocated between CFDA numbers 17.258, 17.259 and 17.278, based on a percentage of the federal expenditures.



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*

Northeast Ohio Consortium Council of Governments
Geauga County
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of 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 and the major fund of Northeast Ohio Consortium Council of Governments, Geauga County, (NOC COG) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the NOC COG's basic financial statements and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the NOC COG'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 NOC COG's internal control. Accordingly, we have not opined on it.

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 the NOC COG'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the NOC COG'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 NOC COG's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the NOC COG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Northeast Ohio Consortium Council of Governments
Geauga County
385 Center Street, Suite 100
Chardon, Ohio 44024

To The Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited the Northeast Ohio Consortium Council of Governments (NOC COG) 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 the Northeast Ohio Consortium Council of Government's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the NOC COG's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the NOC COG's compliance for the NOC COG's major federal program 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 NOC COG'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 NOC COG's major program. However, our audit does not provide a legal determination of the NOC COG's compliance.

Basis for Qualified Opinion on Workforce Investment Act Cluster

As described in Finding 2014-001 in the accompanying schedule of findings, the Northeast Ohio Consortium Council of Governments did not comply with requirements regarding subrecipient monitoring applicable to its Workforce Investment Act Cluster major federal program. Compliance with this requirement is necessary, in our opinion to comply with requirement applicable to this program.

Qualified Opinion on Workforce Investment Act Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Workforce Investment Act Cluster* paragraph, the Northeast Ohio Consortium Council of Governments complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its *Workforce Investment Act Cluster* for the year ended June 30, 2014.

Other Matters

The NOC COG's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the NOC COG's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The NOC COG'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 NOC COG'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 the 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 NOC COG'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 we might be material weaknesses or significant deficiencies. However, as described 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 compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-001 to be a material weakness.

Northeast Ohio Consortium Council of Governments
Geauga County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 2

The NOC COG's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit NOC COG's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015

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**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

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)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<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	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Workforce Investment Act Cluster: Adult, CFDA#17.258 Youth, CFDA#17.259 Dislocated Workers, CFDA#17.278
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Material Noncompliance and Material Weakness – Subrecipient Monitoring

Finding Number	2014-001
CFDA Title and Number	Workforce Investment Act Cluster Adult CFDA #17.258 Youth CFDA #17.259 Dislocated Workers CFDA #17.278
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance and Material Weakness - Subrecipient Monitoring

29 CFR 97.37(b) states all other grantees shall follow the provisions of this part which are applicable to awarding agencies when awarding and administering subgrants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments. Grantees shall: (1) Ensure that every subgrant includes a provision for compliance with this part; (2) Ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations; and (3) Ensure that subgrantees are aware of requirements imposed upon them by Federal statutes and regulations.

OMB Circular A-133 Section .400(d) further states a pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award. (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions for contracts or grant agreements and that performance goals are achieved. (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipients fiscal year have met the audit requirements of this part for that fiscal year. (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records. (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

Finding Number	2014-001 (Continued)
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Northeast Ohio Consortium Council of Governments (NOC COG) was unable to provide documentation on its monitoring efforts such as on-site monitoring and reviews during the-award monitoring activities. Also NOC COG was not conducting complete oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate.

A pass-through entity assumes responsibility for complying with federal requirements when it accepts federal awards. When NOC COG passes a grant through to a subrecipient, NOC COG is ultimately responsible for compliance at the subrecipient level. Ineffective subrecipient monitoring could result in noncompliance with federal requirements by subrecipients.

We recommend the NOC COG update its subreciepant monitoring activities policies and procedures to include:

- The completion of a subrecipient/vendor checklist;
- The completion of the annual risk assessment of each subrecipient;
- Review of eligibility and allowability of services;
- Creation of subrecipient monitoring reports noted any non-compliance observations and recommended corrective action plans; and,
- Retention of subrecipients A-133 audits and any needed audit resolutions.

Official's Response:

Northeast Ohio Consortium Council of Governments (NOC COG) adopted a program monitoring policy in June of 2012. Throughout the program year ending June 30, 2014, NOC COG did perform financial monitoring of all invoices paid and conducted desk reviews of said invoices. NOC COG will begin on-site program and fiscal monitoring during the program year ending June 30, 2015.

NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	29 CFR 97.37(b) – subrecipient monitoring	No	Not Corrected, See Finding 2014-001

**NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS
GEAUGA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Northeast Ohio Consortium Council of Governments (NOC COG) adopted a program monitoring policy in June of 2012. Throughout the program year ending June 30, 2014, NOC COG did perform financial monitoring of all invoices paid and conducted desk reviews of said invoices. NOC COG will begin on-site program and fiscal monitoring during the program year ending June 30, 2015.	June 30, 2015	Craig F. Sernick, J.D. Executive Director

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Dave Yost • Auditor of State

NORTHEAST OHIO CONSORTIUM COUNCIL OF GOVERNMENTS

GEAUGA 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
APRIL 9, 2015**