



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION REGIONAL COUNCIL OF GOVERNMENTS  
PIKE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

South Central Ohio Computer Association Regional Council of Governments  
Pike County  
100 Executive Drive  
Marion, Ohio 43302

To the Members of Council:

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the South Central Ohio Computer Association Regional Council of Governments, Pike County, Ohio (the Council) as of and for the years ended June 30, 2018 and 2017.

### ***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 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 conducted our engagement 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.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The Council disclosed in Note 7 to the June 30, 2018 financial statements and Note 8 to the June 30, 2017 financial statements that requests were received on behalf of the Federal Communications Commission for the return of funds from a previous fiscal years' eRate distributions to the Council and its customers. We were unable to obtain sufficient appropriate audit evidence from the Council to support the information contained within these disclosures as of the date of this report.

***Disclaimer of Opinion***

Due to the significance of the matter discussed in *the Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the years ended June 30, 2018 and 2017.

***Emphasis of Matter***

As discussed in Note 8 to the June 30, 2017 financial statements and Note 5 to the June 30, 2018 financial statements, the Metropolitan Educational Technology Association (META) executed an Asset Purchase Agreement with the Council on October 31, 2017, whereas META purchased substantially all of the Council's assets and assumed the liabilities of the Council, as detailed in the Asset Purchase Agreement. In addition, the Council received requests on behalf of the Federal Communications Commission for the return of funds from previous fiscal years' eRate distributions to the Council and its customers.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

September 30, 2021

**South Central Ohio Computer Association Regional Council of Governments**  
*Pike County*

*Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Cash Balance - Regulatory Cash Basis*

*For the Fiscal Year Ended June 30, 2018*

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<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 536,361
Total Operating Cash Receipts	<u>536,361</u>
<b>Operating Cash Disbursements:</b>	
Purchased Services	497,664
Other	3,555
Total Operating Cash Disbursements	<u>501,219</u>
Operating Income and Net Change in Fund Cash Balance	35,142
Fund Cash Balances, July 1	<u>20,618</u>
Fund Cash Balances, June 30	<u>\$ 55,760</u>

The notes to the financial statements are an integral part of this statement.

**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**1. DESCRIPTION OF COUNCIL OF GOVERNMENTS AND REPORTING ENTITY**

The South Central Ohio Computer Association Regional Council of Governments, Pike County, Ohio (the Council), formed effective July 1, 2012, is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Council Members that they shall comply with Chapter 167 of the Ohio Revised Code. The Council is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Council.

The South Central Ohio Computer Association Regional Council of Government is a legally separate Council. The Council is in a jointly governed organization with member governmental entities. The Council was formed for the primary purpose of providing information technology services to school districts, educational service centers, other governments and other organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the Council.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The Council's financial statement consists of a statement of cash receipts, cash disbursements and changes in fund cash balance (regulatory cash basis).

**B. Fund Accounting**

The Council uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council's fund is reported as a single enterprise fund. Enterprise funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

**C. Basis of Accounting**

The Council's financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**D. Deposits and Investments**

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Council's cash is held in a demand deposit account.

**E. Capital Assets**

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.



**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Operating Cash Receipts and Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the Council. For the Council, these cash receipts are charges for services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. For the Council, these disbursements are for purchased services and other operating related disbursements which support the operation of the Council. All cash receipts and cash disbursements not meeting this definition are reported as non-operating.

**3. DEPOSITS AND INVESTMENTS**

Monies held by the Council are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Council 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 the Council 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.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities 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, the 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. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**3. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits - At fiscal year-end, the carrying amount of the Council's deposits was \$55,760 and the bank balance was the same. The Council's entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

**4. RISK MANAGEMENT**

The Council maintains commercial insurance for general liability, casualty and property. Settled claims have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in insurance coverage in fiscal year 2018 from fiscal year 2017.

**5. ASSET PURCHASE AGREEMENT WITH META SOLUTIONS**

On October 31, 2017, the Council executed an Asset Purchase Agreement with META Solutions whereas META Solutions purchased substantially all of the Council's assets, except items specifically excluded in Section 1.2 of the Asset Purchase Agreement. As consideration for the sale, conveyance, and transfer of the purchased assets, META Solutions assumed the liabilities of the Council, as detailed in Exhibit 2.1 of the Asset Purchase Agreement. Furthermore, the Council represented that it shall continue to exist as an entity for a minimum of five (5) years following the closing date of November 3, 2017. As of November 3, 2017, the balance that remained in the Council's bank account is to be utilized to address the liabilities that the Council retained per Section 2.1 of the Asset Purchase Agreement.

**6. CONTINGENCIES**

Litigation

Relating to the Asset Purchase Agreement discussed in Note 5, as consideration for the sale, conveyance, and transfer of the Purchased Assets, META assumed the liabilities of the Council as detailed on Exhibit 2.1 of the Asset Purchase Agreement. META represents that it has paid or will pay all of the Assumed Liabilities prior to the Date of Closing. META shall assume no liabilities of Seller other than the Assumed Liabilities. Without limitation to the foregoing, the Council shall specifically retain any liability related to its accounts with USAC and E-Rate, including, but not limited to SPN 143027392, and shall also retain any liability for any findings by the Ohio Auditor of State related to conduct by the Council prior to the date of Closing.

On November 7, 2019, former executive director Shawn Clemmons pleaded guilty to submitting false claims to the federal government related to the federal E-Rate Program. In total, Mr. Clemmons failed to reimburse public schools more than \$2 million.

**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**7. SUBSEQUENT EVENTS**

The Council received requests from the Universal Service Administrative Company (USAC) on behalf of the Federal Communications Commission (FCC) for return of funds from previous fiscal years of E-Rate distributions to the Council and its customers. The letters making the requests copied the Council's customers. As of August 11, 2020, the amount of total funds requested by USAC was \$3,210,837. The Council, through its attorneys, will be working with USAC and the FCC to mitigate or totally reduce these claims.

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**South Central Ohio Computer Association Regional Council of Governments**  
*Pike County*

*Statement of Receipts, Disbursements and Changes  
in Fund Balance - Regulatory Cash Basis*

*For the Fiscal Year Ended June 30, 2017*

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<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 6,358,174
Total Operating Cash Receipts	<u>6,358,174</u>
<b>Operating Cash Disbursements:</b>	
Purchased Services	6,355,357
Other	1,723
Total Operating Cash Disbursements	<u>6,357,080</u>
Operating Income (Loss)	<u>1,094</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Principal Retirement	(6,585)
Interest and Fiscal Charges	(674)
Total Non-Operating Receipts (Disbursements)	<u>(7,259)</u>
Net Change in Fund Cash Balance	(6,165)
Fund Cash Balances, July 1	<u>26,783</u>
Fund Cash Balances, June 30	<u>\$ 20,618</u>

The notes to the financial statements are an integral part of this statement.

**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

---

**1. DESCRIPTION OF COUNCIL OF GOVERNMENTS AND REPORTING ENTITY**

The South Central Ohio Computer Association Regional Council of Governments, Pike County, Ohio (the Council), formed effective July 1, 2012, is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Council Members that they shall comply with Chapter 167 of the Ohio Revised Code. The Council is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Council.

The South Central Ohio Computer Association Regional Council of Government is a legally separate Council. The Council is in a jointly governed organization with member governmental entities. The Council was formed for the primary purpose of providing information technology services to school districts, educational service centers, other governments and other organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the Council.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The Council's financial statement consists of a statement of receipts, disbursements and changes in fund balance (cash basis) for all proprietary funds.

**B. Fund Accounting**

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All of the Council's funds are combined and reported as a single enterprise fund. Enterprise funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

**C. Basis of Accounting**

The Council's financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**D. Deposits and Investments**

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Council's cash is held in a demand deposit account.

**E. Capital Assets**

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Operating Cash Receipts and Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the Council. For the Council, these cash receipts are charges for services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. For the Council, these disbursements are for purchased services and other operating related disbursements which support the operation of the Council. All cash receipts and cash disbursements not meeting this definition are reported as non-operating.

**3. DEPOSITS AND INVESTMENTS**

Monies held by the Council are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Council 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 the Council 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.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities 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, the 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. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**3. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective repository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council.

At fiscal year-end, the carrying amount of the Council's deposits was \$9 and the bank balance was the same. The Council's entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

**4. RISK MANAGEMENT**

The Council maintains commercial insurance for general liability, casualty and property. Settled claims have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in insurance coverage in fiscal year 2017 from fiscal year 2016.

**5. LEASE OBLIGATIONS**

The Council has entered into capitalized leases for technology equipment, computer storage, networking equipment, and telephone equipment.

Due to the Council reporting on the regulatory cash basis of accounting, the accompanying technology equipment, computer storage, networking equipment, and telephone equipment are not reflected as assets and liabilities within the accompanying financial statements. Principal and interest payments associated with outstanding lease obligations are paid from the resources of the Council.

In fiscal year 2017, the Council made lease payments totaling \$1,860,960 in principal and \$173,351 in interest. Of these amounts, \$6,585 in principal and \$674 in interest were paid directly by the Council and the remaining amounts were paid on behalf of the Council by META Solutions, in accordance with the Subcontract Agreement disclosed in Note 7.

The agreements provide for future minimum annual lease payments as follows:

<u>Fiscal Year Ending June 30</u>	<u>Payments</u>	<u>Interest</u>
2018	\$ 1,637,820	\$ 101,389
2019	1,141,499	42,883
2020	560,396	9,976
2021	27,464	143
	<u>\$ 3,367,179</u>	<u>\$ 154,391</u>



**South Central Ohio Computer Association Regional Council of Governments**

*Pike County*

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**6. CONTINGENCIES**

Litigation

The Council received requests from the Universal Service Administrative Company (USAC) on behalf of the Federal Communications Commission (FCC) for return of funds from previous fiscal years of E-Rate distributions to the Council and its customers. The letters making the requests copied the Council's customers. As of August 11, 2020, the amount of total funds requested by USAC was \$3,210,837. The Council, through its attorneys, will be working with USAC and the FCC to mitigate or totally reduce these claims.

Relating to the Asset Purchase Agreement discussed in Note 8, as consideration for the sale, conveyance, and transfer of the Purchased Assets, META assumed the liabilities of the Council as detailed on Exhibit 2.1 of the Asset Purchase Agreement. META represents that it has paid or will pay all of the Assumed Liabilities prior to the Date of Closing. META shall assume no liabilities of Seller other than the Assumed Liabilities. Without limitation to the foregoing, the Council shall specifically retain any liability related to its accounts with USAC and E-Rate, including, but not limited to SPN 143027392, and shall also retain any liability for any findings by the Ohio Auditor of State related to conduct by the Council prior to the date of Closing.

On November 7, 2019, former executive director Shawn Clemmons pleaded guilty to submitting false claims to the federal government related to the federal E-Rate Program. In total, Mr. Clemmons failed to reimburse public schools more than \$2 million.

**7. SUBCONTRACT AGREEMENT**

On January 1, 2016, the Council executed a Merger Agreement with META Solutions, with META Solutions continuing as the surviving entity, to better control costs and strengthen Ohio's largest and most comprehensive educational solutions provider. With the execution of the Merger Agreement, all Council employees became employees of META Solutions.

On April 25, 2016, the Council executed a Subcontract Agreement with META Solutions that replaced the Merger Agreement executed on January 1, 2016. In accordance with the Subcontract Agreement, the merger with META Solutions was postponed until all of the Council's pre-Merger Agreement debts, obligations, and liabilities are fully satisfied, and META Solutions agreed to perform all work and do all things necessary to perform the information technology services on behalf of the Council to the Council's member districts. Based on this Subcontract Agreement, all disbursements to META Solutions for services provided to the Council's member districts is reported as purchased services in the Statement of Receipts, Disbursements and Changes in Fund Balance.

**8. SUBSEQUENT EVENTS**

On October 31, 2017, the Council executed an Asset Purchase Agreement with META Solutions whereas META Solutions purchased substantially all of the Council's assets, except items specifically excluded in Section 1.2 of the Asset Purchase Agreement. As consideration for the sale, conveyance, and transfer of the purchased assets, META Solutions assumed the liabilities of the Council, as detailed in Exhibit 2.1 of the Asset Purchase Agreement. Furthermore, the Council represented that it shall continue to exist as an entity for a minimum of five (5) years following the closing date of November 3, 2017. As of November 3, 2017, the balance that remained in the Council's bank account is to be utilized to address the liabilities that the Council retained per Section 2.1 of the Asset Purchase Agreement.

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# OHIO AUDITOR OF STATE KEITH FABER



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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

South Central Ohio Computer Association Regional Council of Governments  
Pike County  
100 Executive Drive  
Marion, Ohio 43302

To the Members of Council:

We were engaged to audit, 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 cash balances, receipts, and disbursements by fund type of the South Central Ohio Computer Association Regional Council of Governments, Pike County, (the Council) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2021, wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, we noted the Metropolitan Educational Technology Association executed an Asset Purchase Agreement with the Council on October 31, 2017. We also noted the Council received requests from the Federal Communications Commission for the return of eRate distributions. We did not opine on these financial statements because we were unable to obtain sufficient appropriate audit evidence from the Council to support the information contained within the Note 7 to the June 30, 2018 financial statements and Note 8 to the June 30, 2017 financial statements as of the date of this report.

### ***Internal Control Over Financial Reporting***

As part of our financial statement engagement, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 Council'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 material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. We consider findings 2018-001 and 2018-003 described in the accompanying schedule of findings to be material weaknesses.

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Efficient • Effective • Transparent

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Council'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 financial statements. However, opining on compliance with those provisions was not an objective of our engagement and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2018-002.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

September 30, 2021

**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION REGIONAL COUNCIL OF GOVERNMENTS  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Monthly Bank Reconciliations & Board Monitoring  
Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis. Additionally, the Board should be requesting financial reports and accurate bank reconciliations and supporting documentation be provided at least once a month for review.

During fiscal years 2018 and 2017, the Board did not review system-generated reports during the board meetings. Additionally, monthly bank to book reconciliations that included the entirety of the Council's activity were not prepared by either the Council or the Metropolitan Educational Technology Association and therefore, were not reviewed by the Board.

Lack of regular monitoring of system generated financial reports and bank-to-book reconciliations may lead to errors or irregularities going undetected without the knowledge of the Board. Additionally, failure to reconcile monthly increases the possibility that the Council will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements.

We recommend the Council review monthly system generated reports. Additionally, the Treasurer should prepare monthly bank-to-book reconciliations, which include all bank accounts and all fund balances. Lastly, the Council should review the monthly bank-to-book reconciliations including the related support, and document the reviews.

**FINDING NUMBER 2018-002**

**Maintaining Documentation  
Noncompliance / Significant Deficiency**

Maintaining organized documentation and support for financial transactions is essential in assuring the Council's financial statements are not materially misstated and that all expenditures are made for a proper public purpose. **Ohio Rev. Code § 149.351** provides all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under **Ohio Rev. Code §§ 149.38 through 149.42**.

**Ohio Rev. Code § 149.43(B)(2)** requires "a public office or the person responsible for public records shall organize and maintain public records in a manner that they can be made available for inspection or copying[.]" Furthermore, **Ohio Rev. Code § 149.43(B)(2)** provides that a public office also shall have available a copy of its current records retention schedule at a location readily available to the public.

**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION REGIONAL COUNCIL OF GOVERNMENTS  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2018 AND 2017**

During 2018 and 2017, the following items were noted during testing for which the Council did not maintain sufficient supporting documentation:

- Records retention schedule.
- Signed contracts with stated service amounts for 7 out of 26 charges for service receipts tested in fiscal year 2018 and for 9 out of 22 charges for services tested in fiscal year 2017.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Council should maintain support for all financial transactions and records be maintained in an orderly manner to support all transactions. Furthermore, we recommend the Council establish a records retention schedule.

**FINDING NUMBER 2018-003**

**Financial Reporting  
Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Council does not have internal controls in place to ensure receipts and disbursements are properly classified on the financial statements.

The following adjustments were made to the June 30, 2018 and 2017 financial statements:

- An adjustment was made in 2018 to properly record \$329,739 in Charges for Services erroneously not recorded on the financial statement.
- An adjustment was made in 2017 and 2018 to properly record the rotary fund balance (\$20,609).

In addition to the adjustments listed above, we also identified an additional misstatement in 2017 in the amount of \$21,909 that we have brought to the Council's attention.

Lastly, adjustments were made to the 2018 and 2017 notes to the financial statements to add contingency and subsequent event disclosures regarding potential claims and/or litigation involving the E-Rate program. The Council prepared the contingency note after the 2018 and 2017 financial statements were initially prepared and presented for audit. However, there was not sufficient appropriate audit evidence to support the estimated contingency amount disclosed as of the date of this report. As a result, a disclaimer of opinion was issued.

By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

We recommend the Council implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Council's financial report. The adjustments identified during the audit should be reviewed by the Treasurer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Board of Directors should review the financial statements and note disclosures to identify and correct errors and omissions.

**Officials' Response**

We did not receive a response from Officials to the findings reported above.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 JUNE 30, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material audit adjustments were necessary to properly reflect the activity of Council.	Not Corrected	Repeated as Finding 2018-003
2013-002	The Fiscal Offer did not prepare accurate monthly reconciliations of bank balances to book balances.	Not Corrected	Repeated as Finding 2018-001
2016-001	Council did not file annual reports within 60 days after the close of the fiscal year.	Partially Corrected	Repeated as Management Letter Comment
2016-003	Significant supporting documentation was not maintained.	Not Corrected	Repeated as Finding 2018-002
2016-005	Sufficient segregation of duties was not maintained.	Partially Corrected	Repeated as Management Letter Comment
2016-006	Finding for Recovery against Shawn Clemmons (\$1,712,184)	Not Corrected	The Finding for Recovery has not been repaid as of the date of this report.
2016-007	Finding for Recovery against Sandra Benson (\$33,404)	Not Corrected	The Finding for Recovery has not been repaid as of the date of this report.
2016-008	Finding for Recovery against Barbara Clemmons (\$770), Justin Brewster (\$141), and James Tuggle (\$345)	Fully Corrected	
2016-009	Finding for Recovery against Shawn Clemmons (\$4,667)	Fully Corrected	
2016-010	Finding for Recovery in the amount of \$720 against Sandra Benson	Not Corrected	The Finding for Recovery has not been repaid as of the date of this report.

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# OHIO AUDITOR OF STATE KEITH FABER



**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION REGIONAL COUNCIL OF GOVERNMENTS**

**PIKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/4/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)