



STATE OF OHIO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1999
STATE REGION



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

STATE OF OHIO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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STATE OF OHIO

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**GENERAL-
PURPOSE
FINANCIAL
STATEMENTS**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43216
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199

Independent Accountants' Report

The Honorable Bob Taft, Governor
State of Ohio
Columbus, Ohio

We have audited the accompanying general-purpose financial statements of the State of Ohio, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the following organizations which are a part of the primary government:

Capitol Square Review and Advisory Board	Ohio Bureau of Workers' Compensation
Office of Financial Incentives	and Industrial Commission of Ohio
Office of the Auditor of State	State Treasury Asset Reserve of Ohio

Also, we did not audit the following component units:

Blended

Ohio Building Authority	State Highway Patrol Retirement System
Ohio Public Facilities Commission	

Discretely Presented

Bowling Green State University	Miami University	University of Toledo
Columbus State Community College	Ohio State University	Wright State University
Cleveland State University	Ohio University	Youngstown State University
Kent State University	University of Akron	
Medical College of Ohio at Toledo	University of Cincinnati	

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Firemen's Disability and Pension Fund System, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's trust and agency fund type. These financial statements reflect the following percentages of total assets or liabilities and revenues or additions of the indicated fund types, account groups, and discretely presented component units:

	<u>Percent of Total Assets/(Liabilities)</u>	<u>Percent of Total Revenues/Additions</u>
Special Revenue Fund Type	7%	0%
Debt Service Fund Type	45%	10%
Capital Projects Fund Type	1%	47%
Enterprise Fund Type	88%	57%
Internal Service Fund Type	30%	11%
Trust and Agency Fund Type	97%	47%
General Fixed Assets Account Group	9%	—
General Long-Term Obligations Account Group	(66%)	—
Discretely Presented Component Units	83%	94%

The financial statements of these independently audited organizations and the assets of these retirement systems were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of these independently audited organizations and the amounts of the retirement systems audited by other auditors included in the fund types and account groups comprising the general-purpose financial statements is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and reports of other auditors, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Ohio at June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the general-purpose financial statements, the State of Ohio has implemented Statement 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* for the fiscal year ended June 30, 1999. The State of Ohio has no fiduciary responsibilities for the funds deposited with the Program by its employees, and the State has not included any balances for these funds in its general-purpose financial statements as of the year ended June 30, 1999.

The year 2000 supplementary information on pages 68 - 70 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

We did not apply these procedures to the organizations which are a part of the primary government or component units identified in paragraph one, above, as having been audited by other auditors. The other auditors for the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio, the Auditor of State, the State Treasury Asset Reserve of Ohio, the Ohio Building Authority, the Ohio State University, and the University of Cincinnati reported they were unable to apply to the supplementary year 2000 information the procedures prescribed by professional standards. The other auditors did not audit the year 2000 supplementary information and express no opinion on it.

The year 2000 supplementary information on pages 68 - 70 indicates the Ohio Department of Administrative Services' State Payroll System and the Ohio Department of Rehabilitation and Corrections' Prison Security System are in the remediation stage. It is reasonably possible that neither of these systems will be completely remediated as of January 1, 2000. Failure of either system could have significant effects on the State's ability to conduct its normal operations. Neither we nor the other auditors provide assurance that the primary government or any of its component units are or will become year 2000 compliant, that the primary government's, or any of its component units', year 2000 remediation efforts will be successful in whole or in part, or that parties with which the primary government or any of its component units do business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 1999 on our consideration of the State of Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



JIM PETRO
Auditor of State

November 19, 1999

STATE OF OHIO
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1999
(dollars in thousands)

GOVERNMENTAL FUND TYPES

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS				
Cash Equity with Treasurer	\$ 2,871,509	\$ 3,145,502	\$ 60,646	\$ 727,159
Cash and Cash Equivalents	13,856	17,028	1,688	—
Investments	—	102,278	95,369	13,551
Collateral on Lent Securities	2,116,346	2,301,729	45,037	533,299
Deposit with Federal Government	—	—	—	—
Receivables:				
Taxes	748,994	200,276	—	—
Intergovernmental	616,388	413,458	—	—
Premiums and Assessments	—	—	—	—
Investment Trade	—	—	—	—
Loans, Net	25,293	455,215	4,135	148,443
Other	24,263	52,285	826	2,840
Due from Other Funds	22,076	23,455	1,243	2,427
Inventories	1,000	33,269	—	—
Food Stamps	—	121,572	—	—
Advances to Other Funds	—	—	—	—
Restricted Assets:				
Cash Equity with Treasurer	—	—	—	—
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Dedicated Investments	—	—	—	—
Collateral on Lent Securities	—	—	—	—
Other Receivables	—	—	—	—
Fixed Assets (net of accumulated depreciation)	—	—	—	—
Other Assets	6,453	5,347	—	—
Amount Available for Debt Service	—	—	—	—
Amount to be Provided for General Long-Term Obligations	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	\$ 6,446,178	\$ 6,871,414	\$ 208,944	\$ 1,427,719
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 118,923	\$ 258,703	\$ —	\$ 82,213
Medicaid Claims Payable	509,652	5,752	—	—
Accrued Liabilities	136,796	64,954	954	47
Obligations Under Securities Lending	2,116,346	2,301,729	45,037	533,299
Intergovernmental Payable	278,699	517,573	—	—
Investment Trade Payable	—	—	—	—
Due to Other Funds	41,461	9,645	18	1,198
Deferred Revenue	79	218,942	6,000	—
Benefits Payable	—	—	—	—
Refund and Other Liabilities	604,150	72,743	1,125	—
Liability for Escheat Property	—	—	—	—
Liabilities Payable from Restricted Assets	—	—	—	—
Advances from Other Funds	—	145,689	—	—
General Obligation Bonds	—	—	—	—
Revenue Bonds and Notes	—	—	—	—
Special Obligation Bonds	—	—	—	—
Certificates of Participation	—	—	—	—
Other General Long-Term Obligations	—	—	—	—
Total Liabilities	3,806,106	3,595,730	53,134	616,757
Fund Equity and Other Credits:				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Reserved Retained Earnings	—	—	—	—
Unreserved Retained Earnings	—	—	—	—
Fund Balances:				
Reserved for:				
Debt Service	1,480	—	151,117	—
Encumbrances	514,032	3,161,002	—	780,076
Budget Stabilization	906,891	—	—	—
Noncurrent Portion of Loans Receivable	24,672	302,405	4,135	146,926
Employees' Pension and Other Postemployment Benefits	—	—	—	—
Unemployment Benefits	—	—	—	—
External Investment Pool Participants	—	—	—	—
Restricted Fund Balances	—	—	—	—
Other	114,965	42,793	—	64,699
Unreserved/Designated	755,259	—	—	—
Unreserved/Undesignated (Deficits)	322,773	(230,516)	558	(180,739)
Total Fund Equity and Other Credits	2,640,072	3,275,684	155,810	810,962
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 6,446,178	\$ 6,871,414	\$ 208,944	\$ 1,427,719

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS	TOTAL REPORTING ENTITY
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(memorandum only)	(memorandum only)	(memorandum only)	(memorandum only)
\$ 153,222	\$ 54,293	\$ 190,807	\$ —	\$ —	\$ 7,203,138	\$ 305	\$ 7,203,443	
1,904,537	170	179,808	—	—	2,117,087	250,353	2,367,440	
17,939,712	1,563	126,453,486	—	—	144,605,959	4,170,195	148,776,154	
2,342,895	39,504	1,205,440	—	—	8,584,250	—	8,584,250	
—	—	2,110,852	—	—	2,110,852	—	2,110,852	
—	—	149,548	—	—	1,098,818	—	1,098,818	
—	2,397	71	—	—	1,032,254	23,182	1,055,436	
1,280,390	—	—	—	—	1,280,390	—	1,280,390	
132,367	—	—	—	—	132,367	—	132,367	
—	—	—	—	—	633,086	2,065,624	2,698,710	
283,345	34,235	39,525	—	—	437,319	494,829	932,148	
4,292	40,567	3,237	—	—	97,297	454,700	551,997	
25,456	19,066	—	—	—	78,791	43,256	122,047	
—	—	—	—	—	121,572	—	121,572	
—	—	145,689	—	—	145,689	—	145,689	
39,276	—	—	—	—	39,276	—	39,276	
1	59	—	—	—	60	4,460	4,520	
—	44,298	—	—	—	44,298	19,170	63,468	
1,742,230	—	—	—	—	1,742,230	—	1,742,230	
1,004,042	—	—	—	—	1,004,042	—	1,004,042	
11,918	—	—	—	—	11,918	—	11,918	
230,773	27,655	2,865	3,889,365	—	4,150,658	8,789,056	12,939,714	
39,923	341	403,331	—	—	455,395	789,245	1,244,640	
—	—	—	—	152,597	152,597	—	152,597	
—	—	—	—	8,125,810	8,125,810	—	8,125,810	
\$ 27,134,379	\$ 264,088	\$ 130,884,659	\$ 3,889,365	\$ 8,278,407	\$ 185,405,153	\$ 17,104,375	\$ 202,509,528	
\$ 156,784	\$ 26,905	\$ 798	\$ —	\$ —	\$ 644,326	\$ 211,233	\$ 855,559	
36,675	11,430	469	—	—	515,404	—	515,404	
2,342,895	39,504	1,205,440	—	—	251,325	708,755	960,080	
—	1,277	87,577	—	—	8,584,250	—	8,584,250	
1,425,071	—	133,679	—	—	885,126	441	885,567	
2,287	1,525	41,206	—	—	1,558,750	—	1,558,750	
445,391	453	—	—	—	97,340	454,700	552,040	
12,581,330	—	20,210	—	—	670,865	184,102	854,967	
1,692,448	—	120,745,889	—	—	12,601,540	—	12,601,540	
2,678,362	—	73,579	—	—	123,116,355	144,092	123,260,447	
—	—	—	—	—	73,579	—	73,579	
—	—	—	—	—	2,678,362	—	2,678,362	
—	—	—	—	—	145,689	—	145,689	
—	—	—	—	1,962,402	1,962,402	—	1,962,402	
191,864	31,815	—	—	224,760	448,439	2,494,976	2,943,415	
—	—	—	—	5,062,344	5,062,344	—	5,062,344	
—	—	—	—	16,765	16,765	13,220	29,985	
—	—	—	—	1,012,136	1,012,136	—	1,012,136	
21,553,107	112,909	122,508,847	3,889,365	8,278,407	160,324,997	4,211,519	164,536,516	
—	—	—	—	—	3,889,365	7,755,187	11,644,552	
411	51,359	—	—	—	51,770	—	51,770	
151,201	204	—	—	—	151,405	—	151,405	
5,429,660	99,616	—	—	—	5,529,276	1,313,635	6,842,911	
—	—	—	—	—	152,597	—	152,597	
—	—	—	—	—	4,455,110	—	4,455,110	
—	—	—	—	—	906,891	—	906,891	
—	—	—	—	—	478,138	—	478,138	
—	—	600,099	—	—	600,099	—	600,099	
—	—	2,397,075	—	—	2,397,075	—	2,397,075	
—	—	5,335,446	—	—	5,335,446	—	5,335,446	
—	—	—	—	—	—	2,924,206	2,924,206	
—	—	145,689	—	—	368,146	—	368,146	
—	—	—	—	—	755,259	361,629	1,116,888	
—	—	97,503	—	—	9,579	538,199	547,778	
5,581,272	151,179	8,575,812	3,889,365	—	25,080,156	12,892,856	37,973,012	
\$ 27,134,379	\$ 264,088	\$ 130,884,659	\$ 3,889,365	\$ 8,278,407	\$ 185,405,153	\$ 17,104,375	\$ 202,509,528	

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
Income Taxes	\$ 6,389,926	\$ 753,418	\$ —
Sales Taxes	5,539,780	294,519	—
Corporate and Public Utility Taxes	1,718,482	99,159	—
Motor Vehicle Fuel Taxes	—	1,413,301	32,378
Unemployment Taxes	—	—	—
Other Taxes	869,556	47,949	—
Licenses, Permits and Fees	94,789	792,638	14,226
Sales, Services and Charges	43,586	37,495	—
Federal Government	3,658,824	5,038,886	—
Investment Income	399,520	115,132	11,067
Other	183,221	529,107	1,355
TOTAL REVENUES	18,897,684	9,121,604	59,026
EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	4,832,607	1,571,371	—
Higher Education Support	365,981	11,887	—
Public Assistance and Medicaid	6,550,881	2,010,771	—
Health and Human Services	1,035,566	1,512,794	—
Justice and Public Protection	1,555,069	480,670	—
Environmental Protection and Natural Resources	113,947	216,122	—
Transportation	35,961	1,461,592	—
General Government	546,537	114,474	—
Community and Economic Development	109,945	288,063	—
INTERGOVERNMENTAL	1,033,066	1,865,028	—
CAPITAL OUTLAY	15,607	267,047	—
DEBT SERVICE	1,794	—	1,017,962
TOTAL EXPENDITURES	16,196,961	9,799,819	1,017,962
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,700,723	(678,215)	(958,936)
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	—	111,993	—
Refunding Bond Proceeds	—	—	173,500
Payment to Refunded Bond Escrow Agents	—	—	(173,376)
Capital Leases	1,575	682	—
Operating Transfers-in	201,151	2,017,646	969,961
Operating Transfers-out	(1,308,827)	(1,067,918)	(37,882)
Operating Transfers to Component Units	(1,564,910)	—	—
TOTAL OTHER FINANCING SOURCES (USES)	(2,671,011)	1,062,403	932,203
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	29,712	384,188	(26,733)
FUND BALANCES, JULY 1 (as restated)	2,611,195	2,893,453	182,543
Increase (Decrease) for Changes in Inventories	(835)	(1,957)	—
Residual Equity Transfers-out	—	—	—
FUND BALANCES, JUNE 30	\$ 2,640,072	\$ 3,275,684	\$ 155,810

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

<u>CAPITAL PROJECTS</u>	<u>FIDUCIARY FUND TYPE</u> <u>EXPENDABLE TRUST</u>	<u>TOTAL (memorandum only)</u>
\$ —	\$ —	\$ 7,143,344
—	—	5,834,299
—	—	1,817,641
—	—	1,445,679
—	669,896	669,896
—	—	917,505
—	—	901,653
650	—	81,731
90	10,111	8,707,911
29,196	148,190	703,105
3,989	60,751	778,423
<u>33,925</u>	<u>888,948</u>	<u>29,001,187</u>
—	—	6,403,978
—	—	377,868
—	—	8,561,652
—	718,048	3,266,408
—	—	2,035,739
—	—	330,069
—	—	1,497,553
—	27,617	688,628
897	—	398,905
—	—	2,898,094
973,617	—	1,256,271
4,369	—	1,024,125
<u>978,883</u>	<u>745,665</u>	<u>28,739,290</u>
<u>(944,958)</u>	<u>143,283</u>	<u>261,897</u>
1,158,492	—	1,270,485
—	—	173,500
—	—	(173,376)
—	—	2,257
281,287	—	3,470,045
(283,596)	—	(2,698,223)
—	—	(1,564,910)
<u>1,156,183</u>	<u>—</u>	<u>479,778</u>
211,225	143,283	741,675
605,393	2,496,984	8,789,568
—	—	(2,792)
<u>(5,656)</u>	<u>—</u>	<u>(5,656)</u>
<u>\$ 810,962</u>	<u>\$ 2,640,267</u>	<u>\$ 9,522,795</u>

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Income Taxes	\$ 6,150,598	\$ 6,416,827	\$ 266,229	\$ 756,969	\$ 756,969	\$ —
Sales Taxes	5,490,000	5,545,349	55,349	294,624	294,624	—
Corporate and Public Utility Taxes	1,787,302	1,721,628	(65,674)	99,317	99,317	—
Motor Vehicle Fuel Taxes	—	—	—	1,402,408	1,402,408	—
Other Taxes	824,174	869,513	45,339	47,680	47,680	—
Licenses, Permits and Fees	105,965	102,082	(3,883)	965,906	965,906	—
Sales, Services and Charges	34,982	36,213	1,231	34,690	34,690	—
Federal Government	3,531,583	3,485,209	(46,374)	5,027,823	5,027,823	—
Investment Income	123,108	156,466	33,358	135,854	135,854	—
Other	375,905	372,151	(3,754)	717,967	717,967	—
TOTAL REVENUES	18,423,617	18,705,438	281,821	9,483,238	9,483,238	—
BUDGETARY EXPENDITURES:						
CURRENT:						
Primary, Secondary and Other Education	4,846,373	4,814,740	31,633	1,783,376	1,750,975	32,401
Higher Education Support	1,953,416	1,947,044	6,372	18,113	8,294	9,819
Public Assistance and Medicaid	7,006,269	6,630,408	375,861	2,726,739	2,233,486	493,253
Health and Human Services	1,097,235	1,080,393	16,842	2,102,324	1,583,128	519,196
Justice and Public Protection	1,628,383	1,561,847	66,536	591,736	519,653	72,083
Environmental Protection and Natural Resources ...	138,643	131,284	7,359	300,193	238,233	61,960
Transportation	41,637	39,649	1,988	2,354,371	1,766,096	588,275
General Government	456,328	412,191	44,137	137,328	123,659	13,669
Community and Economic Development	133,681	128,817	4,864	440,336	345,053	95,283
INTERGOVERNMENTAL	1,059,401	1,038,479	20,922	2,093,221	2,016,107	77,114
CAPITAL OUTLAY	52,707	19,502	33,205	1,241,524	754,801	486,723
DEBT SERVICE	885,687	839,999	45,688	49,503	36,140	13,363
TOTAL BUDGETARY EXPENDITURES	19,299,760	18,644,353	655,407	13,838,764	11,375,625	2,463,139
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	(876,143)	61,085	937,228	(4,355,526)	(1,892,387)	2,463,139
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	—	—	—	115,571	115,571	—
Operating Transfers-in	125,114	898,239	773,125	2,019,916	2,019,916	—
Operating Transfers-out	(339,313)	(1,160,367)	(821,054)	(1,023,497)	(1,023,497)	—
Encumbrance Reversions	—	138,771	138,771	532,913	532,913	—
TOTAL OTHER FINANCING SOURCES (USES) ..	(214,199)	(123,357)	90,842	1,644,903	1,644,903	—
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) BUDGETARY EXPENDITURES AND OTHER FINANCING USES	(1,090,342)	(62,272)	1,028,070	\$ (2,710,623)	(247,484)	\$ 2,463,139
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JULY 1						
Decrease (Increase) in Budgetary Designations	397,221	397,221	—		(94,202)	
	152,122	152,122	—		—	
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JUNE 30						
Budgetary Designations, June 30	(540,999)	487,071	1,028,070		(341,686)	
	1,762,150	1,762,150	—		—	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	\$ 1,221,151	\$ 2,249,221	\$ 1,028,070		\$ (341,686)	

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

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
32,554	32,554	—	—	—	—
—	—	—	—	—	—
14,083	14,083	—	—	—	—
—	—	—	650	650	—
—	—	—	90	90	—
6,275	6,275	—	36,844	36,844	—
124,610	124,610	—	10,063	10,063	—
<u>177,522</u>	<u>177,522</u>	<u>—</u>	<u>47,647</u>	<u>47,647</u>	<u>—</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	938	896	42
—	—	—	—	—	—
—	—	—	2,863,927	921,870	1,942,057
287,701	248,038	39,663	4,311	4,311	—
<u>287,701</u>	<u>248,038</u>	<u>39,663</u>	<u>2,869,176</u>	<u>927,077</u>	<u>1,942,099</u>
<u>(110,179)</u>	<u>(70,516)</u>	<u>39,663</u>	<u>(2,821,529)</u>	<u>(879,430)</u>	<u>1,942,099</u>
728	728	—	1,158,492	1,158,492	—
51,349	51,349	—	34,271	34,271	—
—	—	—	(34,139)	(34,139)	—
—	—	—	21,908	21,908	—
<u>52,077</u>	<u>52,077</u>	<u>—</u>	<u>1,180,532</u>	<u>1,180,532</u>	<u>—</u>
<u>\$ (58,102)</u>	<u>(18,439)</u>	<u>\$ 39,663</u>	<u>\$ (1,640,997)</u>	<u>301,102</u>	<u>\$ 1,942,099</u>
	80,634			(416,278)	
	—			—	
	62,195			(115,176)	
	—			—	
	<u>\$ 62,195</u>			<u>\$ (115,176)</u>	

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUND TYPES

AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	PROPRIETARY FUND TYPES		TOTAL PRIMARY GOVERNMENT (memorandum only)
	ENTERPRISE	INTERNAL SERVICE	
OPERATING REVENUES:			
Charges for Sales and Services	\$ 2,632,478	\$ 269,671	\$ 2,902,149
Premium and Assessment Income	2,032,027	—	2,032,027
Investment Income	1,739,752	—	1,739,752
Other	22,702	2,120	24,822
TOTAL OPERATING REVENUES	6,426,959	271,791	6,698,750
OPERATING EXPENSES:			
Costs of Sales and Services	297,905	121,687	419,592
Administration	186,078	148,250	334,328
Premium Dividend Credits and Rebates	757,669	—	757,669
Bonuses and Commissions	134,614	—	134,614
Prizes	1,259,766	—	1,259,766
Benefits and Claims	1,495,357	—	1,495,357
Depreciation	32,657	10,933	43,590
Other	385,154	5,940	391,094
TOTAL OPERATING EXPENSES	4,549,200	286,810	4,836,010
OPERATING INCOME (LOSS)	1,877,759	(15,019)	1,862,740
NONOPERATING REVENUES (EXPENSES):			
Investment Income	75	2,507	2,582
Interest Expense	(697)	(2,029)	(2,726)
Federal Grants	—	—	—
Other	(7,696)	(1,122)	(8,818)
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,318)	(644)	(8,962)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,869,441	(15,663)	1,853,778
OPERATING TRANSFERS:			
Operating Transfers-in	32,344	36,920	69,264
Operating Transfers-out	(811,695)	(29,391)	(841,086)
TOTAL OPERATING TRANSFERS	(779,351)	7,529	(771,822)
NET INCOME (LOSS)	1,090,090	(8,134)	1,081,956
RETAINED EARNINGS, JULY 1	4,490,771	108,373	4,599,144
Residual Equity Transfers-out	—	(419)	(419)
RETAINED EARNINGS, JUNE 30	\$ 5,580,861	\$ 99,820	\$ 5,680,681

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

<u>COMPONENT UNIT</u>	<u>TOTAL REPORTING ENTITY (memorandum only)</u>
<u>OHIO WATER DEVELOPMENT AUTHORITY</u>	
\$ 105,369	\$ 3,007,518
—	2,032,027
53,235	1,792,987
1,140	25,962
<u>159,744</u>	<u>6,858,494</u>
82,618	502,210
2,385	336,713
—	757,669
—	134,614
—	1,259,766
—	1,495,357
46	43,636
2,687	393,781
<u>87,736</u>	<u>4,923,746</u>
<u>72,008</u>	<u>1,934,748</u>
—	2,582
—	(2,726)
76,005	76,005
332	(8,486)
<u>76,337</u>	<u>67,375</u>
<u>148,345</u>	<u>2,002,123</u>
—	69,264
—	(841,086)
—	(771,822)
148,345	1,230,301
1,165,290	5,764,434
—	(419)
<u>\$ 1,313,635</u>	<u>\$ 6,994,316</u>

STATE OF OHIO

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 2,621,130	\$ 36,229	\$ 2,657,359
Cash Received from Premiums and Assessments.....	1,469,374	—	1,469,374
Cash Received from Quasi-External Transactions with Other Funds.....	6,572	235,312	241,884
Other Operating Cash Receipts.....	48,987	16,985	65,972
Cash Payments to Suppliers for Goods and Services.....	(405,658)	(186,410)	(592,068)
Cash Payments to Employees for Services.....	(311,062)	(60,764)	(371,826)
Cash Payments for Benefits and Claims.....	(1,780,738)	—	(1,780,738)
Cash Payments for Lottery Prizes.....	(1,358,367)	—	(1,358,367)
Cash Payments for Bonuses and Commissions.....	(134,664)	—	(134,664)
Cash Payments for Premium Dividend Credits and Rebates.....	(338,004)	—	(338,004)
Cash Payments for Quasi-External Transactions with Other Funds.....	(5,609)	(29,211)	(34,820)
Other Operating Cash Payments.....	(307)	(18,252)	(18,559)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	(188,346)	(6,111)	(194,457)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers-in	30,149	36,920	67,069
Operating Transfers-out	(811,695)	(29,391)	(841,086)
Bond Proceeds	—	—	—
Federal Grants	—	—	—
Grants to Local Subdivisions.....	—	—	—
Refirement of Revenue Bond Principal	—	—	—
Interest Paid	—	—	—
Bond and Note Issuance Costs	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(781,546)	7,529	(774,017)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases.....	(20,201)	(2,893)	(23,094)
Interest Paid	(10,177)	(2,029)	(12,206)
Principal Receipts on Capital Leases	—	2,893	2,893
Acquisition and Construction of Capital Assets	(9,870)	(7,403)	(17,273)
Proceeds from Sales of Fixed Assets	23,230	3	23,233
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(17,018)	(9,429)	(26,447)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(42,069,633)	(94,478)	(42,164,111)
Proceeds from the Sales and Maturities of Investments	40,923,972	97,731	41,021,703
Investment Income Received	1,083,854	3,205	1,087,059
Borrower Rebates and Agent Fees.....	(205,892)	—	(205,892)
Loan Disbursements.....	—	—	—
Loan Principal Repayments Received	—	—	—
Loan Interest Received.....	—	—	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	(267,699)	6,458	(261,241)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,254,609)	(1,553)	(1,256,162)
CASH AND CASH EQUIVALENTS, JULY 1	3,351,645	56,075	3,407,720
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 2,097,036	\$ 54,522	\$ 2,151,558

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

COMPONENT UNIT	TOTAL REPORTING ENTITY
OHIO WATER DEVELOPMENT AUTHORITY	(memorandum only)
\$ 1,160	\$ 2,658,519
—	1,469,374
—	241,884
—	65,972
(1,310)	(593,378)
(802)	(372,628)
—	(1,780,738)
—	(1,358,367)
—	(134,664)
—	(338,004)
—	(34,820)
—	(18,559)
(952)	(195,409)
—	67,069
—	(841,086)
153,046	153,046
76,025	76,025
(382)	(382)
(115,545)	(115,545)
(81,102)	(81,102)
(1,955)	(1,955)
30,087	(743,930)
—	(23,094)
—	(12,206)
—	2,893
(278)	(17,551)
—	23,233
(278)	(26,725)
(10,657,985)	(52,822,096)
10,608,155	51,629,858
52,045	1,139,104
—	(205,892)
(237,304)	(237,304)
108,197	108,197
103,664	103,664
(23,228)	(284,469)
5,629	(1,250,533)
10,331	3,418,051
\$ 15,960	\$ 2,167,518

(continued)

STATE OF OHIO

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

(continued)

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL PRIMARY GOVERNMENT (memorandum only)</u>
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ 1,877,759	\$ (15,019)	\$ 1,862,740
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	(1,739,752)	—	(1,739,752)
Borrower Rebates and Agent Fees.....	205,892	—	205,892
Depreciation	32,657	10,933	43,590
Provision for Uncollectible Accounts	29,387	—	29,387
Amortization of Premiums and Discounts	99,597	—	99,597
Amortization of Bond Issuance Costs.....	—	—	—
Interest on Bonds, Notes and Capital Leases	9,480	—	9,480
Interest Received on Loans.....	—	—	—
Miscellaneous Nonoperating (Revenues) Expenses	(32)	182	150
Decrease (Increase) in Assets:			
Intergovernmental Receivable.....	60	(561)	(501)
Premiums and Assessments Receivable	(6,076)	—	(6,076)
Other Receivables	(62,872)	(23)	(62,895)
Due from Other Funds	(11)	1,945	1,934
Inventories	(1,271)	1,506	235
Other Assets	7,313	(37)	7,276
Increase (Decrease) in Liabilities:			
Accounts Payable	13,397	(2,135)	11,262
Accrued Liabilities	1,596	1,115	2,711
Intergovernmental Payable	—	(1,307)	(1,307)
Due to Other Funds	9	(2,369)	(2,360)
Deferred Revenue.....	(4,091)	(341)	(4,432)
Benefits Payable	(319,656)	—	(319,656)
Refund and Other Liabilities	(288,785)	—	(288,785)
Liabilities Payable from Restricted Assets	(42,947)	—	(42,947)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES..	\$ (188,346)	\$ (6,111)	\$ (194,457)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Change in Fair Value of Investments.....	\$ 630,743	\$ 22	\$ 630,765
Fixed Assets Acquired under Capital Leases.....	1,261	—	1,261
Increase in Contributed Capital - Fixed Assets Donated from Other Funds.....	411	5,245	5,656

Cash and Cash Equivalents in the Component Units Column on the Combined Balance Sheet include:

Proprietary-Ohio Water Development Authority.....	\$ 15,960
Colleges and Universities.....	239,158
TOTAL	\$ 255,118

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

<u>COMPONENT UNIT</u>	
<u>OHIO WATER DEVELOPMENT AUTHORITY</u>	<u>TOTAL REPORTING ENTITY</u> <i>(memorandum only)</i>

\$ 72,008	\$ 1,934,748
(53,235)	(1,792,987)
—	205,892
46	43,636
—	29,387
—	99,597
1,091	1,091
81,527	91,007
(105,369)	(105,369)
3,069	3,219
—	(501)
—	(6,076)
(29)	(62,924)
(1,061)	873
—	235
—	7,276
(60)	11,202
—	2,711
—	(1,307)
1,061	(1,299)
—	(4,432)
—	(319,656)
—	(288,785)
—	(42,947)
<u>\$ (952)</u>	<u>\$ (195,409)</u>

\$ —	\$ 630,765
—	1,261
—	5,656

STATE OF OHIO
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(dollars in thousands)

STATE HIGHWAY PATROL RETIREMENT SYSTEM
(for the year ended December 31, 1998)

	<u>PENSION</u>	<u>POST- EMPLOYMENT</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions:			
Employer	\$ 13,101	\$ 2,687	\$ 15,788
Employees	6,574	—	6,574
Other Contributions	217	5	222
Total Contributions	19,892	2,692	22,584
Investment Income:			
Net Depreciation in Fair Value of Investments	(2,555)	(1,354)	(3,909)
Interest	12,070	2,130	14,200
Dividends	4,162	735	4,897
Other Investment Income	703	124	827
	14,380	1,635	16,015
Less: Investment Expense	1,351	238	1,589
Net Investment Income	13,029	1,397	14,426
TOTAL ADDITIONS	32,921	4,089	37,010
DEDUCTIONS:			
Benefits and Claims	21,540	3,129	24,669
Refunds of Employee Contributions	164	—	164
Administrative Expenses	648	114	762
TOTAL DEDUCTIONS	22,352	3,243	25,595
NET INCREASE (DECREASE)	10,569	846	11,415
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
JANUARY 1	499,913	88,771	588,684
DECEMBER 31	\$ 510,482	\$ 89,617	\$ 600,099

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

STATE OF OHIO
STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(dollars in thousands)

	<u>STAROHIO</u>
OPERATIONS:	
Investment Income.....	\$ 281,532
Expenses:	
Administration Fees.....	1,406
Custodian and Transfer Agent Fees and Related Expenses.....	1,018
Security Lending Fees.....	867
Management Fees.....	440
Other.....	278
Total Expenses.....	<u>4,009</u>
Net Investment Income	277,523
Dividends to Shareholders from Net Investment Income.....	<u>(277,523)</u>
INCREASE (DECREASE) FROM OPERATIONS	—
CAPITAL SHARE TRANSACTIONS	
<i>(dollar amounts and number of shares are the same):</i>	
Shares Sold.....	19,228,537
Less: Shares Redeemed.....	<u>18,392,137</u>
INCREASE FROM CAPITAL SHARE TRANSACTIONS	836,400
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS	
JULY 1	<u>4,499,046</u>
JUNE 30	<u>\$ 5,335,446</u>

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

STATE OF OHIO

STATEMENT OF CHANGES IN FUND BALANCE

DISCRETELY PRESENTED COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	<u>COMPONENT UNITS</u>
REVENUES AND OTHER ADDITIONS:	
Unrestricted Current Fund Revenues	\$ 3,010,856
Local Appropriations-Restricted	17,040
Federal Grants and Contracts-Restricted	489,158
State Grants and Contracts-Restricted	89,643
Local Grants and Contracts-Restricted	7,795
Private Gifts, Grants and Contracts-Restricted	362,822
Endowment Income-Restricted	40,935
Investment Income-Restricted	219,827
Interest on Loans Receivable	5,508
Investment in Plant-Additions	647,644
Other	68,443
TOTAL REVENUES AND OTHER ADDITIONS	<u>4,959,671</u>
EXPENDITURES AND OTHER DEDUCTIONS:	
Educational and General Expenditures	3,987,972
Auxiliary Enterprises Expenditures	555,494
Hospital Expenditures	621,639
Indirect Costs Recovered	80,423
Grant Refunds and Adjustments	1,499
Loan Cancellations and Write-offs	2,522
Administrative and Collection Costs	2,016
Expended for Plant Facilities	248,708
Retirement of Indebtedness	74,635
Interest on Indebtedness	42,291
Investment in Plant-Deductions	175,067
Other	34,311
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>5,826,577</u>
TRANSFERS:	
Operating Transfers from Primary Government	<u>1,564,910</u>
NET INCREASE (DECREASE) FOR THE YEAR	698,004
FUND BALANCE AND OTHER CREDITS, JULY 1 (as restated)	<u>10,881,217</u>
FUND BALANCE AND OTHER CREDITS, JUNE 30	<u>\$ 11,579,221</u>

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

STATE OF OHIO

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES DISCRETELY PRESENTED COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	<u>COMPONENT UNITS</u>
REVENUES:	
Tuition, Fees and Other Student Charges	\$ 1,473,087
Local Appropriations	16,056
Federal Grants and Contracts	482,683
State Grants and Contracts	91,031
Local Grants and Contracts	7,683
Private Gifts, Grants and Contracts	276,108
Endowment Income	64,646
Sales and Services	1,246,050
Investment Income	53,008
Other Sources	114,184
TOTAL REVENUES	<u>3,824,536</u>
EXPENDITURES AND MANDATORY TRANSFERS:	
EDUCATIONAL AND GENERAL:	
Instruction and Departmental Research	1,661,699
Separately Budgeted Research	386,638
Public Service	221,636
Academic Support	391,807
Student Services	230,144
Institutional Support	415,034
Operation and Maintenance of Plant	283,903
Scholarships and Fellowships	395,913
TOTAL EDUCATIONAL AND GENERAL	<u>3,986,774</u>
AUXILIARY ENTERPRISES	<u>555,490</u>
HOSPITALS	<u>621,639</u>
TOTAL EXPENDITURES	<u>5,163,903</u>
MANDATORY TRANSFERS, NET:	
Principal and Interest	94,782
Renewals and Replacements	3,014
Other	1,837
TOTAL MANDATORY TRANSFERS, NET	<u>99,633</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>5,263,536</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	1,554,735
NONMANDATORY TRANSFERS, NET:	
Capital Improvements	(89,117)
Other	(3,565)
ADDITIONS/(DEDUCTIONS):	
Excess of Restricted Receipts over Transfers to Revenue	104,122
Indirect Costs Recovered	(79,442)
Other	(2,673)
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	<u>1,484,060</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 45,060</u>

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements, as of June 30, 1999, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* documents these principles. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, account groups, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

Information for obtaining complete financial statements for the State's component units, which are

discussed below, is available from the Ohio Office of Budget and Management.

1. Blended Component Units

The Ohio Building Authority, Ohio Public Facilities Commission, and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

2. Discretely Presented Component Units

The component units' columns in the combined financial statements include the financial data of the following organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government.

Officials of the primary government appoint a voting majority of each organization's governing board. These organizations impose or potentially impose financial burdens on the primary government.

Proprietary:

Ohio Water Development Authority

Colleges and Universities:

State Universities:

- Bowling Green State University
- Central State University
- Cleveland State University
- Kent State University
- Miami University
- Ohio State University
- Ohio University
- Shawnee State University
- University of Akron
- University of Cincinnati
- University of Toledo
- Wright State University
- Youngstown State University

State Community Colleges:

- Cincinnati State Community College
- Clark State Community College
- Columbus State Community College



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Community Colleges (Continued):

- Edison State Community College
- Northwest State Community College
- Owens State Community College
- Southern State Community College
- Terra State Community College
- Washington State Community College

Medical College:

- Medical College of Ohio at Toledo

3. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 21, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB Statement No. 14.

B. Basis of Presentation — Fund Accounting

The State uses funds and account groups to report its financial position and results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and aids management in demonstrating compliance with finance-related legal and contractual provisions. An account group is an accounting device that accounts for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Primary government and component unit funds fall into four categories: governmental, proprietary, fiduciary, and college and university.

1. Primary Government

In the primary government's financial statements, each fund category is divided into separate "fund types," which are described along with the two account groups, as follows.

a. Governmental Fund Types

General — The General Fund, the State's primary operating fund, accounts for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue — The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Debt Service — The debt service funds account for the accumulation of resources for the payment of general long-term debt principal and interest.

Capital Projects — The capital projects funds account for the acquisition of fixed assets and construction of major capital facilities and for major repairs and replacements other than those financed by proprietary or trust funds.

b. Proprietary Fund Types

Enterprise — The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises — where the State's intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability and other purposes.

Internal Service — The internal service funds account for the financing of goods or services that a State department or agency provides to other State departments and agencies or to other government units on a cost-reimbursement basis.

c. Fiduciary Fund Types

Trust funds account for assets that the State holds in a trustee capacity. The State's general-purpose financial statements present expendable, pension, and investment trust funds. The Pension Trust Fund reports the State Highway Patrol Retirement System for its fiscal year ended December 31, 1998.

Agency funds account for assets the State holds as an agent for individuals, private organizations, other governments, or other funds. The Agency Fund includes the assets of the Public Employees Retirement System and the Police and Firemen's Disability and Pension Fund, for their fiscal years ended December 31, 1998.

d. Account Groups

General Fixed Assets — The General Fixed Assets Account Group accounts for fixed assets acquired or constructed for the State's general governmental purposes. This group accounts for fixed assets not accounted for in the proprietary and trust funds.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations — The General Long-Term Obligations Account Group accounts for the State's unmatured general obligation bonds and other long-term obligations not required to be accounted for in the proprietary and trust funds.

2. Component Units

The financial presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements. The component unit funds include the Ohio Water Development Authority for its fiscal year ended December 31, 1998.

The State presents a Statement of Current Funds Revenues, Expenditures and Other Changes in the General-Purpose Financial Statements, in accordance with Section 2600.111 of the GASB's *Codification of Governmental Accounting and Financial Reporting*. The Current Funds, a college and university fund type, accounts for economic resources that are expendable for any purpose in performing the primary objectives of the higher education institutions.

C. Measurement Focus and Basis of Accounting

A fund's measurement focus determines the accounting and financial reporting treatment applied to the fund.

Governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, operating statements present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets, and unreserved fund balance is a measure of available expendable resources.

Proprietary, pension trust, and investment trust funds are accounted for using a flow of economic resources measurement focus, which emphasizes the determination of net income. Under this measurement focus, operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Fund equity (i.e., net assets) is segregated on the balance sheet into two components, contributed capital and retained earnings/fund balance.

Agency funds are custodial in nature, and therefore, do not present results of operations or have a measurement focus.

All governmental, expendable trust, and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, the State recognizes revenues when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction is determinable, and "available" means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State considers revenues as available when collected within 60 days after year-end.

Under the modified accrual basis, the State records expenditures when it incurs related fund liabilities, except for principal and interest on general long-term debt, which the State recognizes as expenditures when due.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Unemployment taxes
- Charges for goods and services
- Investment income

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Deferred revenue, as reported on the State's combined balance sheet, represents resources received before the State has a legal claim to them, such as the receipt of federal grant moneys prior to the incurrence of qualifying expenditures. The State recognizes revenue when it has a legal claim to the resources.

The proprietary, pension trust, and investment trust funds use the accrual basis of accounting. Under this method, the State records revenues when earned and expenses when incurred.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As permitted by GAAP, the State's proprietary funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

College and university funds apply the principles of accounting and reporting pursuant to the National Association of College and University Business Officers accounting and reporting model. The college and university funds use the accrual basis of accounting, with the following exceptions: 1) depreciation expense is not calculated or reported, and 2) revenues and expenditures of an academic term encompassing more than one fiscal year are recognized in the period when the program is predominantly conducted.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly. All proposed expenditures for the State and estimated revenues and borrowings for a biennium comprise the budget, which includes those funds of the State subject to appropriation pursuant to State law.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

Biennially, the General Assembly approves operating and capital appropriations. The legislature specifies operating appropriations in annual amounts and capital appropriations in two-year amounts.

The State's Controlling Board, comprised of six members of the General Assembly and the Director of the Office of Budget and Management (OBM) or a designee, can transfer or increase a line-item appropriation within the limitations set under Chapter 127, Ohio Revised Code. The Board has delegated the authority to the Director of OBM to transfer appropriations between existing operating expenditure/expense line-item appropriations within a state agency not to exceed a cumulative total of \$50,000 (or \$75,000 for institutional-type state agencies) from each line-item appropriation within a fiscal year.

All governmental funds are budgeted except the following activities within the fund types:

Special Revenue Fund

Certain activities within the Community and Economic Development and Employment Services Special Revenue Funds, as discussed in NOTE 3

Debt Service Fund

Economic Development Bond Service
Transportation Certificate Retirement
Vietnam Conflict Compensation Bond Retirement
Ohio Public Facilities Commission
Ohio Building Authority
Enterprise Bond Retirement
School Building Program Bond Service
Infrastructure Bank Bond Service

Capital Projects Fund

Ohio Building Authority

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

As an extension of formal budgetary integration in the accounting system, the State employs encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations. At fiscal year end, the State reports outstanding encumbrances in the General, special revenue, and capital projects funds as reservations of fund balance for expenditure in subsequent years. Operating encumbrances are generally canceled five months after the fiscal year-end while capital encumbrances are generally canceled two years after the biennial period for which they were appropriated. Unencumbered appropriations lapse at the end of the biennium budget period.

The *Detailed Appropriation Summary by Fund Report*, which is available for public inspection at the Ohio Office of Budget and Management, provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis), budgeted revenues for the General Fund represent periodically updated revenue budgets.

For other budgeted funds, the original budgeted revenues, as submitted by the Governor, do not represent actual forecasts of revenues and are not amended to coincide with any legislative changes to the original expenditure budget. Accordingly, for budgeted funds other than the General Fund, the State reports budgeted revenues and other financing sources and uses at actual amounts, since the State does not have updated, budgeted revenue and other financing sources and uses amounts for use in the accompanying budgetary basis financial statements.

Additionally, on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis), “actual” budgetary expenditures include cash disbursements against the current fiscal year’s appropriations and outstanding encumbrances, as of June 30, 1999, that were committed during the current fiscal year. Encumbrance reversions represent lapses of prior years’ appropriations. For the Capital Projects Fund, total unexpended appropriations for both the first and second years of the current 1999-2000 biennial budget comprise amounts reported under the “budget” column.

The Employment Services Expendable Trust Fund, State Highway Patrol Retirement System Pension Trust Fund, and STAROhio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary and trust funds, the State is not legally required to report budgetary data and comparisons for these funds. Additionally, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value.

The State’s cash pool under the Treasurer of State’s administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Bureau of Workers’ Compensation and Ohio Lottery Commission enterprise funds and the University of Cincinnati component unit fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under “Restricted Assets,” are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have a remaining maturity at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAROhio) investment pool, the State reports investments at fair value based on quoted market prices. STAROhio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value). The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio’s reporting entity.

G. Intergovernmental Revenues/Receivable

Intergovernmental revenues primarily represent resources from reimbursement-type grants received from the federal government. The State reports intergovernmental receivable balances and recognizes revenue when it incurs the related grant expenditures/expenses.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories

For governmental funds, the State recognizes the costs of material inventories as expenditures when purchased. At year-end, physical counts are taken of significant inventories for the governmental fund types and are generally reported on the balance sheet at moving-average cost. Inventories reported in the governmental funds do not reflect current appropriable resources, and therefore, the State reserves an equivalent portion of fund balance.

Proprietary and college and university funds value inventories at cost, which approximates market; principal inventory cost methods applied include first-in, first-out, average cost, moving-average, and retail.

I. Food Stamps

In the Special Revenue Fund, the State reports food stamp coupons at face value, offset by a like amount of deferred revenue.

J. Restricted Assets

The primary government reports assets restricted for payment of deferred prize awards (Ohio Lotto) and tuition benefits in the enterprise funds for the Ohio Lottery Commission and the Ohio Tuition Trust Authority, respectively.

Covenants for the Ohio Building Authority's bonds require pledged receipts be held and invested in a reserve account placed with a trustee financial institution. The State reports these restricted assets in the internal service funds.

Generally, the colleges and universities hold assets in trust. Bond covenants or other financing arrangements legally restrict the use of these assets.

K. Fixed Assets

General Fixed Assets — The State reports fixed assets purchased with governmental fund resources in the General Fixed Assets Account Group at historical cost, or at estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the donation date.

The State does not capitalize the costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life. Costs of major improvements are capitalized, while

interest costs associated with the acquisition of general fixed assets are not capitalized.

The State does not capitalize public domain (infrastructure) general fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, historical monuments, drainage systems, and lighting systems, since these assets are immovable and of value only to the government.

The State does not depreciate assets reported in the General Fixed Assets Account Group.

Proprietary and Fiduciary Fund Fixed Assets — Fixed assets are stated at cost or, for donated assets, at estimated fair market value at the donation date. The State depreciates proprietary and fiduciary fund fixed assets, excluding land, using the straight-line method over the following estimated useful lives:

Buildings	20-45 years
Machinery and Equipment	5-20 years
State Vehicles	5 years

The State capitalizes material interest on proprietary fund fixed assets acquired through the issuance of debt.

College and University Fund Fixed Assets — The colleges and universities value all purchased fixed assets at cost and donated fixed assets at estimated fair market value on the donation date. The colleges and universities do not capitalize public domain (infrastructure) assets or depreciate their fixed assets.

L. Long-Term Obligations

Governmental funds recognize long-term obligations as liabilities when due. The State reports only the portion expected to be financed from expendable available financial resources as a liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Included among these liabilities are the noncurrent portions of liabilities resulting from debt issuances, certificate of participation financing arrangements, compensated absences, judgments, settlements, claims, litigation, contingencies, leases, and workers' compensation benefits. The proprietary funds and college and university funds account for long-term liabilities expected to be financed from operations.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As discussed in NOTES 11 and 12, bonds that the Ohio Building Authority (OBA) issues to finance the construction of facilities leased to local governments are reported as revenue bonds in the internal service funds, while OBA bonds issued to finance the construction of State-related projects are reported as special obligation bonds in the General Long-Term Obligations Account Group.

M. Compensated Absences

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For governmental funds, the State reports the non-current portion of the liability for compensated absences in the General Long-Term Obligations Account Group. For proprietary funds, the State reports the liability for compensated absences as a noncurrent accrued liability.

For the colleges and universities, vacation and sick leave earnings and liquidation policies vary by institution.

Vacation, compensatory time, and personal leaves are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the

conditions for compensation will be met in the future.

The State accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the State's share of Medicare taxes.

N. Fund Equity

Reservations

Reservations of equity represent amounts that are not appropriable or are legally restricted for a specific purpose.

Designations

Designations of equity represent tentative management plans that are subject to change.

Contributed Capital

Contributed capital represents equity acquired through capital contributions from other funds.

O. Self-Insurance

The State's primary government is self-insured for claims covered under its traditional healthcare plan, vehicle liability, public fidelity blanket bonds, property losses, and tort liability. While not the predominant participant, the State's primary government participates in a public entity risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of its workers' compensation liability (See NOTE 23A).

Estimates for significant incurred but not reported claims or contingent liabilities are included in accrued liabilities and in the General Long-Term Obligations Account Group.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund/Intra-Entity Transactions

The State of Ohio records the following types of interfund/intra-entity transactions within its reporting entity:

Operating Transfers — Legally required transfers are reported when incurred as “Operating Transfers-in” by the receiving fund and as “Operating Transfers-out” by the disbursing fund. Legally required transfers between the primary government and its component units are reported as “Operating Transfers from/to Primary Government” and “Operating Transfers from/to Component Units.”

Transfers of Expenditures/Expenses (Reimbursement) — The State reports reimbursements made by one fund for another as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund.

Residual Equity Transfers — The State reports non-routine or nonrecurring transfers between funds as additions to or deductions from fund equity.

Quasi-external Transactions — The State reports charges or collections for services rendered by one

fund to another as revenues of the receiving fund and expenditures/expenses of the disbursing fund.

Transactions between funds that represent non-current lending or borrowing arrangements outstanding, as of the end of the fiscal year, are reported as advances to/from other funds. The State reports all other outstanding balances between funds as due to/from other funds. NOTE 7 presents a summary of interfund balances and interfund and intra-entity transfers.

Q. Memorandum Only — Total Columns

Total columns on the general-purpose financial statements are captioned “Memorandum Only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Restatements

Certain restatements of fund balances/retained earning balances, as of June 30, 1998, are summarized as follows.

Primary Government Restatements of Beginning Balance July 1, 1998 (dollars in thousands)			
Fund	Fund Balance/ Retained Earnings as Previously Reported, June 30, 1998	Increase/ (Decrease) for Restatement	Fund Balance/ Retained Earnings as Restated, July 1, 1998
General Fund	\$2,661,847	\$ (50,652)	\$2,611,195
Special Revenue Fund:			
Community and Economic Development.....	\$ 636,326	\$ (5,500)	\$ 630,826
Highway Operating	848,602	46,318	894,920
All Other Special Revenue Funds.....	1,367,707	—	1,367,707
Total Special Revenue Fund	\$2,852,635	\$ 40,818	\$2,893,453

(Continued)



NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS
(Continued)

Component Units			
Restatements of Beginning Balance			
July 1, 1998			
<i>(dollars in thousands)</i>			
Fund	Fund Balance/ Retained Earnings as Previously Reported, June 30, 1998	Increase/ (Decrease) for Restatement	Fund Balance/ Retained Earnings as Restated, July 1, 1998
College and University Funds:			
Shawnee State University.....	\$ 93,233	\$ 847	\$ 94,080
Clark State Community College.....	45,027	(73)	44,954
Southern State Community College.....	18,397	(22)	18,375
Cincinnati State Community College.....	65,793	1,441	67,234
All Other College and University Funds.....	10,656,574	—	10,656,574
Total College and University Funds.....	<u>\$10,879,024</u>	<u>\$2,193</u>	<u>\$10,881,217</u>

For the General Fund, the \$50.7 million decrease in opening fund balance is due to an error in the calculation of the intergovernmental receivable from the federal government for the Temporary Assistance for Needy Families Program.

The \$40.8 million net increase for the Special Revenue Fund is attributed to a \$5.5 million decrease in the outstanding loans and accounts receivable balances for the Department of Development's Office of Financial Incentives and a \$46.3 million increase in the intergovernmental receivable from the federal government for reimbursement of eligible highway construction costs not previously identified as being subject to accrual.

For the discretely presented College and University Funds, the prior year's fund balance has been increased approximately \$2.2 million to reflect:

- an increase in the fixed asset balance reported for Shawnee State University in the amount of \$847 thousand.
- a \$73 thousand decrease due to a \$34 thousand decrease in the fixed assets balance, a \$24 thousand decrease in the accounts receivable balance, and a \$15 thousand increase in the accounts payable balance for Clark State Community College.

- a \$22 thousand decrease in the other assets balance for Southern State Community College.
- an adjustment to the opening fixed asset balance for Cincinnati State Community College, which increased fund balance by \$1.4 million.

B. Changes in Accounting Principles

In October 1997, the Governmental Accounting Standards Board issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The provisions of this statement are effective for periods beginning after December 31, 1998, or when a government complies with the requirements of subsection (g) of IRC Section 457, whichever is earlier. The statement requires state and local governments, which have fiduciary responsibilities for IRC Section 457 plans, to report such plans as expendable trust funds.

On September 1, 1998, the Ohio Public Employees Deferred Compensation (OPEDC) Program amended its plan, pursuant to the Small Business Job Protection Act of 1996, to comply with subsection (g) of IRC Section 457.

The State has no fiduciary responsibilities for the funds deposited with the OPEDC Program by its employees, and consequently, the State has not



NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS
(Continued)

reported any activity or included any balances for these funds in its financial statements, for the year ended and as of June 30, 1999. In prior years, the primary government and its discretely presented component units displayed IRC Section 457-related balances held for their employees in the Agency Fund and in the component unit funds, respectively.

C. Newly Issued Accounting Pronouncements

In December 1998, the Governmental Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The provisions of this statement are effective for periods beginning after June 15, 2000. GASB Statement No. 33 principally addresses the timing of recognition of nonexchange transactions involving financial or capital resources

(c.g., most taxes, grants, and private donations) in a government's financial statements.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The State is required to apply this statement for periods beginning after June 15, 2001. GASB Statement No. 34 establishes new financial reporting requirements that fundamentally affect the presentation of a general purpose government's basic financial statements and related required supplementary information.

Management has not yet determined the impact that GASB Statements No. 33 and 34 will have on the State's financial statements.

NOTE 3 GAAP vs. NON-GAAP BUDGETARY BASIS

"Actual" revenues, operating transfers-in, expenditures, encumbrances, and operating transfers-out on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — All Governmental Fund Types and Expendable Trust Funds. This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Budgeted expenditures in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) represent original appropriations modified by supplemental and amended appropriations made throughout the year, including \$108.3 million, \$2.01 billion, \$88 thousand, and \$2.59 billion increases in the budgets of the General, Special Revenue, Debt Service, and Capital Projects funds, respectively.

A reconciliation of the fund balances recorded under the two bases for the General, Special Revenue, Debt Service, and Capital Projects funds is presented on the following page.



NOTE 3 GAAP vs. NON-GAAP BUDGETARY BASIS (Continued)

Primary Government
Reconciliation of GAAP Basis Fund Balances to
Non-GAAP Budgetary Basis Fund Balances
As of June 30, 1999
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects
Total Fund Balances - GAAP Basis	\$2,640,072	\$3,275,684	\$155,810	\$ 810,962
Less: Unbudgeted Fund Balances	—	98,048 *	94,736	13,352
Total Budgeted Fund Balances - GAAP Basis	2,640,072	3,177,636	61,074	797,610
Less: Reserved Fund Balances	1,562,040	3,493,122	60,519	991,701
Less: Designated Fund Balances	755,259	—	—	—
Unreserved/Undesignated Fund Balances - GAAP Basis.....	322,773	(315,486)	555	(194,091)
BASIS DIFFERENCES				
Revenue Accruals/Adjustments:				
Cash Equity with Treasurer	40,447	32,674	1,548	9,301
Taxes Receivable.....	(748,994)	(200,276)	—	—
Intergovernmental Receivable.....	(616,388)	(413,458)	—	—
Loans Receivable.....	(25,293)	(300,710)	—	(148,443)
Other Receivables.....	(24,263)	(44,198)	(334)	(2,778)
Due from Other Funds	(21,070)	(23,431)	(128)	(2,427)
Inventories	(1,000)	(32,644)	—	—
Other Assets	(6,453)	(3,402)	—	—
Deferred Revenue.....	79	95,425	—	—
Total Revenue Accruals/Adjustments	(1,402,935)	(890,020)	1,086	(144,347)
Expenditure Accruals/Adjustments:				
Accounts Payable	118,923	229,431	—	81,952
Medicaid Claims Payable.....	509,652	5,752	—	—
Accrued Liabilities	136,796	64,574	436	47
Intergovernmental Payable	278,699	517,573	—	—
Due to Other Funds.....	41,461	7,333	18	1,198
Refund and Other Liabilities.....	604,150	72,731	983	—
Total Expenditure Accruals/Adjustments	1,689,681	897,394	1,437	83,197
Other Adjustments:				
Fund Balance Reclassifications:				
From Unreserved (Non-GAAP Budgetary Basis)				
to Reserved for:				
Debt Service.....	1,480	—	60,519	—
Budget Stabilization.....	906,891	—	—	—
Noncurrent Portion of Loans Receivable.....	24,672	300,235	—	146,926
Other	114,965	42,168	—	64,699
From Undesignated (Non-GAAP Budgetary Basis)				
to Designated				
Cash and Investments Held Outside of State Treasury ..	755,259	—	—	—
Other	(13,856)	(16,867)	(1,403)	—
Other	—	1	1	—
Total Other Adjustments	1,789,411	325,537	59,117	211,625
Total Basis Differences	2,076,157	332,911	61,640	150,475
TIMING DIFFERENCES				
Encumbrances	(149,709)	(359,111)	—	(71,560)
Unreserved/Undesignated and Designated Fund Balances (Deficits) — Non-GAAP Budgetary Basis..	<u>\$2,249,221</u>	<u>\$ (341,686)</u>	<u>\$ 62,195</u>	<u>\$(115,176)</u>

*This amount in the Special Revenue Fund includes certain unbudgeted activities within the Community and Economic Development and Employment Services Special Revenue Funds



NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires State moneys to be maintained in one of the following three classifications:

Active Deposits — Moneys required to be kept in a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State’s treasury or in one of the following: a commercial account that is payable or withdrawable, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account, or a designated warrant clearance account.

Inactive Deposits — Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits — Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
- Repurchase agreements in the securities enumerated above;
- Interim deposits in the eligible institutions applying for interim moneys;
- Bonds and other obligations of the State of Ohio;
- The Treasurer of State’s investment pool;

- Linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to small businesses, as authorized under Section 135.63, Ohio Revised Code;
- Agricultural linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to agricultural businesses, as authorized under Section 135.74, Ohio Revised Code;
- Reverse repurchase agreements with any eligible financial institution that is a member of the federal reserve system or federal home loan bank, or any recognized U.S. government securities dealer;
- Securities lending agreements with any eligible financial institution that is a member of the federal reserve system or federal home loan bank, or any recognized U.S. government securities dealer;
- Commercial paper, rated in one of the two highest rating categories by two nationally recognized rating agencies and not exceeding five percent of the investment portfolio;
- Bankers’ acceptances maturing in 270 days or less and not exceeding 10 percent of the investment portfolio;
- Debt of domestic corporations and foreign nations diplomatically recognized by the United States, rated investment grade by nationally recognized rating agencies and, in the aggregate, not exceeding five percent of the investment portfolio; and
- No-load money market funds consisting of U.S. government and agency obligations and repurchase agreements secured by such obligations.

The primary government’s deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized.

In some cases, deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate/government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate, and/or other investments.

During the reporting period, the Public Employees Retirement System, Police and Firemen's Disability and Pension Fund, School Employees Retirement System, and the State Teachers Retirement System, the investments of which are held in the Treasurer of State's custody and are reported in the Retirement Systems Agency Fund, had investments in derivatives and similar debt and investment transactions. Specific information on the nature of the transactions and the reasons for entering into them can be found in each respective system's Comprehensive Annual Financial Report.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAROhio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAROhio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43266-0421, or by calling (614) 466-2160.

C. Deposits

1. Primary Government

As of June 30, 1999, the carrying amount of deposits was (dollars in thousands) \$867,675, and the bank balance was \$834,433. Of the bank balance, \$53,037 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$727,838 was collateralized with securities held by the pledging financial institution's trust department or its agent in the primary government's name (Category 2), and \$53,558, although meeting legal

collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units

As of June 30, 1999, the carrying amount of deposits was (dollars in thousands) \$252,681, and the bank balance was \$319,309. Of the bank balance, \$43,586 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), \$204,152 was collateralized with securities held by the pledging financial institution's trust department or its agent in the respective component unit's name (Category 2), and \$71,571, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

D. Investments

The State categorizes investments to give an indication of the level of credit risk associated with the State's custodial arrangements at year-end. *Category 1* includes investments that are insured, registered, or held by the State or its agent in the State's name. *Category 2* includes uninsured and unregistered investments held by the counterparty's trust department or its agent in the State's name. *Category 3* includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the State's name.

Certain investments have not been categorized because the securities are not used as evidence of the investment. These uncategorized investments include ownership in real estate, mutual funds, limited partnerships and venture capital, direct mortgage loans, and the deposit with the federal government. In conformity with Governmental Accounting Standards Board Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lent at year-end for cash collateral have not been categorized by custodial credit risk, while securities lent for securities collateral have been categorized.

The level of credit risk assumed by the primary government and its component units and the carrying amount and fair value of investments, as of June 30, 1999, are as follows.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government <i>(dollars in thousands)</i>				
	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations:				
Not on Securities Loan	\$ 32,852,732	\$35,000	\$ 6,909,324	\$ 39,797,056
On Securities Loan	—	—	207,979	207,979
Common and Preferred Stock:				
Not on Securities Loan	46,851,809	—	7,011,534	53,863,343
On Securities Loan	—	—	35,563	35,563
Corporate Bonds and Notes	12,216,010	—	1,986,588	14,202,598
Foreign Stocks and Bonds	15,651,545	—	—	15,651,545
Commercial Paper	3,575,356	—	1,894,521	5,469,877
Repurchase Agreements	303,019	70	259	303,348
Municipal Obligations	574	—	—	574
Securities Lending Collateral:				
U.S. Government & Agency Obligations	95,000	—	1,467,642	1,562,642
Repurchase Agreements	5,353,611	—	—	5,353,611
Common and Preferred Stock	—	—	770,714	770,714
Corporate Bonds and Notes	1,096,638	—	—	1,096,638
Commercial Paper	142,307	—	—	142,307
	<u>\$118,138,601</u>	<u>\$35,070</u>	<u>\$20,284,124</u>	<u>138,457,795</u>
Investments Held by Broker-dealers under Securities Loans with Cash Collateral:				
U.S. Government and Agency Obligations				8,759,006
Common and Preferred Stock				752,973
Mutual Funds				5,111,550
Real Estate				10,912,695
Venture Capital				418,120
Limited Partnerships				27,263
Direct Mortgage Loans				38,237
Investment Contracts				5,024
Securities Lending Collateral — Mutual Funds				39,142
Securities Lending Collateral — Investment Contracts				712,075
Deposit with Federal Government				2,110,852
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAROhio)				(346,249)
Total Investments — Primary Government				<u>\$166,998,483</u>

Component Units <i>(dollars in thousands)</i>				
	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations	\$259,158	\$ 704,381	\$257,651	\$1,221,190
Common and Preferred Stock	376,435	964,022	6,730	1,347,187
Corporate Bonds and Notes	112,950	89,918	34,419	237,287
Foreign Stocks and Bonds	9,402	—	—	9,402
Commercial Paper	—	—	6,464	6,464
Repurchase Agreements	—	3,045	202,555	205,600
Bankers' Acceptances	—	—	5,240	5,240
Municipal Obligations	77	—	39	116
Negotiable Certificates of Deposit	—	—	2,000	2,000
Other Investments	197	—	9,761	9,958
	<u>\$758,219</u>	<u>\$1,761,366</u>	<u>\$524,859</u>	<u>3,044,444</u>
Mutual Funds				387,114
Investment in the State Treasury Asset Reserve of Ohio (STAROhio)				346,249
Real Estate				36,394
Life Insurance				9,095
Limited Partnerships				6,765
Investment Contracts				361,436
Total Investments — Component Units				<u>\$4,191,497</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 1999, reported for the primary government and its component units is (dollars in thousands) \$171,895,675. The total carrying amount of deposits and investments categorized and disclosed in this note is \$172,310,336. A reconciliation of the difference follows.

**Reconciliation of Deposits and Investments
Disclosure with Combined Balance Sheet
As of June 30, 1999**
(dollars in thousands)

	Deposits	Investments	Total
Cash Equity with Treasurer (unrestricted and restricted)....	\$350,150	\$ 6,892,569	\$ 7,242,719
Cash and Cash Equivalents (unrestricted and restricted)....	462,792	1,909,168	2,371,960
Investments.....	5,542	148,770,612	148,776,154
Collateral on Lent Securities (unrestricted and restricted)....	38,115	9,550,177	9,588,292
Deposit with Federal Government.....	—	2,110,852	2,110,852
Restricted Assets:			
Investments.....	—	63,468	63,468
Dedicated Investments.....	—	1,742,230	1,742,230
Carrying Amount per Combined Balance Sheet....	856,599	171,039,076	171,895,675
Outstanding Warrants and Other Reconciling Items	263,757	150,904	414,661
Total Reporting Entity.....	<u>\$1,120,356</u>	<u>\$171,189,980</u>	<u>\$172,310,336</u>

E. Securities Lending Transactions

The Treasurer of State and the Bureau of Workers' Compensation (BWC) participate in securities lending programs for securities included in the "Cash Equity with Treasurer," "Investments," and "Dedicated Investments" accounts and the STAROhio program. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral. The State has

minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the State's lent securities are collateralized at no less than 102 percent of market value.

For loan contracts the Treasurer executes, not more than 15 percent of the State's cash and investment portfolio, which is reported as "Cash Equity with Treasurer," can be lent to a single broker-dealer. For the STAROhio program, not more than 25 percent of the STAROhio investment pool may be lent at any one time, and not more than 10 percent of the investment pool may be subject to term loans in excess of seven days.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements. The State invests cash collateral in short-term obligations, which have a weighted average maturity of 45 days or less and generally match the maturities of securities loans. Loan contracts do not provide any loss indemnification by securities lending agents in cases of borrower default; however, during fiscal year 1999, the State had not experienced any losses due to credit or market risk on securities lending activities.

During the fiscal year, the Treasurer and the STAROhio program lent U.S. government and agency obligations in exchange for collateral consisting of cash and/or other U.S. government obligations. The BWC lent fixed maturities and equity securities in exchange for cash, broker-provided, and letters of credit collateral.



NOTE 5 TAXES

The following table provides a summary of taxes receivable for the primary government, as of June 30, 1999. As of June 30, 1999, refund liabilities for income and corporation franchise taxes, totaling

\$667.3 million, are reported as "Refunds and Other Liabilities," of which \$603.5 million is reported in the General Fund and \$63.8 million is reported in the Special Revenue Fund.

**Primary Government
Taxes Receivable
As of June 30, 1999**
(dollars in thousands)

	General	Special Revenue	Trust and Agency	Total
Income Taxes	\$243,340	\$ 28,763	\$ —	\$ 272,103
Sales Taxes	505,654	26,650	—	532,304
Motor Vehicle Fuel Taxes	—	129,951	—	129,951
Unemployment Taxes	—	—	149,548	149,548
Other Taxes	—	14,912	—	14,912
Total Taxes Receivable	\$748,994	\$200,276	\$149,548	\$1,098,818

NOTE 6 LOANS AND OTHER RECEIVABLES

A. Loans Receivable

Loans receivable (net of uncollectible amounts) for the primary government and its component units, as of June 30, 1999, consist of the following.

**Primary Government
Loans Receivable
As of June 30, 1999**
(dollars in thousands)

Loan Type	General	Special Revenue	Debt Service	Capital Projects	Total
Columbiana County Economic Stabilization	\$ 2,945	\$ —	\$ —	\$ —	\$ 2,945
Community and Economic Development:					
Office of Minority Financial Incentives.....	4,169	—	—	—	4,169
Office of Financial Incentives	—	249,924	—	—	249,924
Ohio Housing Finance Agency.....	—	152,335	—	—	152,335
Rail Development.....	—	3,667	—	—	3,667
Total Community and Economic Development	4,169	405,926	—	—	410,095
Higher Education Research					
Investment Loans.....	—	—	4,135	—	4,135
Natural Resources	—	167	—	—	167
Primary, Secondary and Other Education:					
School District Solvency Assistance	12,063	—	—	—	12,063
Vocational Education	626	177	—	—	803
Wayne Trace Local School District	5,490	—	—	—	5,490
Public School Building	—	3,839	—	—	3,839
Vocational School Assistance	—	9,642	—	—	9,642
School Building	—	11,376	—	—	11,376
Teacher Education.....	—	1,295	—	—	1,295
Nurses Education Assistance	—	300	—	—	300
Total Primary, Secondary and Other Education	18,179	26,629	—	—	44,808
Highway and Transit Infrastructure Bank.....	—	22,493	—	—	22,493
Local Infrastructure Improvements	—	—	—	148,443	148,443
Total Loans Receivable	\$25,293	\$455,215	\$4,135	\$148,443	\$633,086



NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

Component Units
Loans Receivable
As of June 30, 1999
(dollars in thousands)

Loan Type	Ohio Water Development Authority (12/31/98)	Ohio State University	University of Cincinnati	Kent State University	Other Component Units	Total Component Units
Water and Wastewater Treatment.....	\$1,878,923	\$ —	\$ —	\$ —	\$ —	\$1,878,923
Student.....	—	56,813	28,060	18,455	74,222	177,550
Other.....	—	—	635	—	8,516	9,151
Total Loans Receivable.....	\$1,878,923	\$56,813	\$28,695	\$18,455	\$82,738	\$2,065,624

B. Other Receivables

Other receivables for the primary government and its component units, as of June 30, 1999, consist of the following.

Primary Government
Other Receivables
As of June 30, 1999
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total
Unrestricted:								
Accounts Receivable.....	\$ 3,073	\$ 6,329	\$ —	\$ —	\$156,758	\$ 3,148	\$ —	\$169,308
Interest and Dividends Receivable..	18,727	14,971	826	2,840	98,230	255	17,971	153,820
Women, Infants and Children Program Rebate Receivable.....	—	14,799	—	—	—	—	—	14,799
Nursing Facility Bed Assessments Receivable.....	—	12,765	—	—	—	—	—	12,765
Leases Receivable.....	—	—	—	—	—	29,320	—	29,320
Receivables from Lottery Sales Agents.....	—	—	—	—	28,351	—	—	28,351
Claims & Settlements Receivable....	—	—	—	—	—	—	20,911	20,911
Employer Interest and Penalties on Unemployment Taxes.....	—	2,439	—	—	—	—	—	2,439
Refunds from Academic Grants and Scholarships Programs.....	2,463	—	—	—	—	—	—	2,463
Miscellaneous Receivables.....	—	982	—	—	6	1,512	643	3,143
Total Unrestricted.....	24,263	52,285	826	2,840	283,345	34,235	39,525	437,319
Restricted:								
Interest Receivable.....	—	—	—	—	11,914	—	—	11,914
Miscellaneous Receivables.....	—	—	—	—	4	—	—	4
Total Restricted.....	—	—	—	—	11,918	—	—	11,918
Total Unrestricted and Restricted....	\$24,263	\$52,285	\$826	\$2,840	\$295,263	\$34,235	\$39,525	\$449,237

Component Units
Other Receivables
As of June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Medical College of Ohio	Other Component Units	Total Component Units
Accounts Receivable.....	\$242,697	\$34,417	\$17,911	\$24,288	\$105,427	\$424,740
Interest Receivable.....	14,183	4,226	913	649	4,665	24,636
Pledges Receivable.....	—	38,926	—	—	—	38,926
Miscellaneous Receivable.....	—	314	—	—	6,213	6,527
Total Other Receivables.....	\$256,880	\$77,883	\$18,824	\$24,937	\$116,305	\$494,829



NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

Under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

Future lease payments due the Ohio Building Authority Internal Service Fund, net of executory costs, are as follows (dollars in thousands):

Year Ending June 30,	Leases Receivable
2000	\$ 4,997
2001	5,001
2002	5,008
2003	5,012
2004	5,036
Thereafter.....	20,856
Total minimum lease payments.....	45,910
Amount representing interest	(16,590)
Present value of net minimum lease payments	<u>\$29,320</u>

NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS

Interfund balances, as of June 30, 1999, and operating transfers among the primary government's funds, for the year ended June 30, 1999, are as follows (dollars in thousands):

Fund Type/Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds	Operating Transfers- In	Operating Transfers- Out
General	\$ 22,076	\$ 41,461	\$ —	\$ —	\$ 201,151	\$1,308,827
Special Revenue:						
Community and Economic Development	3,333	2,601	—	145,689	73,330	38,660
Human Services	470	1,279	—	—	10,753	39,059
Health	162	45	—	—	15,552	282
Mental Health and Retardation.....	451	799	—	—	4,239	—
Employment Services.....	24	—	—	—	—	1,500
Education	1,518	214	—	—	1,015,246	57,819
Highway Safety	2,695	1,058	—	—	160,671	10,067
Highway Operating.....	4,219	3,387	—	—	601,364	195,375
Natural Resources.....	399	91	—	—	113	4,381
Wildlife and Waterway Safety.....	276	13	—	—	973	13
Revenue Distribution.....	8,760	157	—	—	73,646	720,762
Local Transportation Improvements.....	1,148	1	—	—	61,759	—
Total Special Revenue Fund.....	23,455	9,645	—	145,689	2,017,646	1,067,918
Debt Service:						
Economic Development Bond Service	—	—	—	—	15,899	—
Coal Research/Development Bond Retirement.....	—	—	—	—	5,632	6
Development Bond Retirement	—	—	—	—	—	25
Highway Obligations Bond Retirement.....	124	—	—	—	—	49
Public Improvements Bond Retirement.....	—	—	—	—	—	13
Local Infrastructure Improvements Bond Retirement	—	18	—	—	108,878	—
Ohio Public Facilities Commission	1,115	—	—	—	441,901	—
Ohio Building Authority.....	—	—	—	—	238,019	1,634
Enterprise Bond Retirement.....	—	—	—	—	32,460	36,036
State Projects Bond Service.....	—	—	—	—	10,000	10
School Building Program Bond Service.....	—	—	—	—	55,572	—
Highway Capital Improvements Bond Service	4	—	—	—	51,349	109
Infrastructure Bank Bond Service.....	—	—	—	—	10,251	—
Total Debt Service Fund	1,243	18	—	—	969,961	37,882

(Continued)



NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS (Continued)

Fund Type/Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds	Operating Transfers- In	Operating Transfers- Out
Capital Projects:						
Arts Facilities Building Improvements.....	91	—	—	—	77,840	—
Higher Education Improvements	195	1,115	—	—	—	51
Highway Obligations Construction	19	—	—	—	—	8,885
Mental Health/Mental Retardation Facilities Improvements.....	50	—	—	—	—	—
Parks and Recreation Improvements	10	—	—	—	—	—
Local Infrastructure Improvements.....	1,602	3	—	—	386	3
Ohio Building Authority.....	—	—	—	—	3,351	270,388
Administrative Services						
Building Improvements	212	—	—	—	100,966	3,351
Youth Services Building Improvements.....	83	—	—	—	50,410	—
Transportation Building Improvements.....	8	—	—	—	—	—
Adult Correctional Building Improvements	8	80	—	—	—	250
Highway Safety Building Improvements.....	13	—	—	—	—	—
Ohio Parks and Natural Resources.....	9	—	—	—	—	668
Highway Capital Improvement	19	—	—	—	8,885	—
Sports Facilities Building	76	—	—	—	39,449	—
Infrastructure Bank Obligations	32	—	—	—	—	—
Total Capital Projects Fund.....	2,427	1,198	—	—	281,287	283,596
Enterprise:						
Liquor Control.....	84	2,287	—	—	—	108,840
Ohio Lottery Commission.....	—	—	—	—	—	696,303
Workers' Compensation	—	—	—	—	—	5,779
Underground Parking Garage	—	—	—	—	—	773
Office of Auditor of State.....	4,208	—	—	—	32,344	—
Total Enterprise Fund	4,292	2,287	—	—	32,344	811,695
Internal Service:						
Ohio Building Authority.....	—	—	—	—	27,700	29,391
Ohio Data Network.....	9,093	336	—	—	—	—
Ohio Penal Industries.....	23,553	1,119	—	—	9,220	—
Support Services.....	4,338	70	—	—	—	—
Telecommunications	3,583	—	—	—	—	—
Total Internal Service Fund	40,567	1,525	—	—	36,920	29,391
Expendable Trust:						
Unclaimed Funds	1,306	—	145,689	—	—	—
Pension Trust:						
State Highway Patrol Retirement System	1,721	—	—	—	—	—
Agency:						
Holding and Distribution	—	22,477	—	—	—	—
Payroll Withholding and Fringe Benefits.....	114	18,729	—	—	—	—
Other	96	—	—	—	—	—
Total Trust and Agency Funds	3,237	41,206	145,689	—	—	—
Total per Financial Statements —						
Primary Government	97,297	97,340	145,689	145,689	3,539,309	3,539,309
Reconciliation for Timing Differences for Funds with December 31, 1998 Year-Ends...	43	—	—	—	—	—
Reconciled Total for the Primary Government ..	97,340	97,340	\$145,689	\$145,689	\$3,539,309	\$3,539,309
Component Units:						
Ohio State University.....	271,881	271,881	—	—	—	—
University of Cincinnati.....	117,036	117,036	—	—	—	—
Other Component Units.....	65,783	65,783	—	—	—	—
Total per Financial Statements —						
Component Units.....	454,700	454,700	—	—	—	—
Total Reporting Entity	\$552,040	\$552,040	—	—	—	—



NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS (Continued)

For the fiscal year ended June 30, 1999, the Capital Projects Fund reports approximately \$5.7 million in residual equity transfers-out. The transfers represent capital contributions to the Enterprise and Internal Service funds, as discussed in NOTE 18. Additionally, the Internal Service Fund reports a residual equity transfer-out in the amount of \$419 thousand. The transfer represents capital contributions to the General Fixed Assets Account Group.

Operating transfers between the primary government's funds and its component units represent transfers of moneys from the General Fund for instructional and non-instructional support at the state-supported universities and state community colleges.

Details of amounts transferred during the year ended June 30, 1999 are presented in the table to the right (dollars in thousands).

	Operating Transfers from Primary Government	Operating Transfers to Component Units
Primary Government:		
<i>General Fund</i>	\$ —	\$1,564,910
Component Units:		
<i>College and University Funds</i>		
Ohio State University.....	418,486	—
University of Cincinnati	186,342	—
Ohio University	134,505	—
Miami University	76,232	—
University of Akron	97,898	—
Bowling Green State University	78,798	—
Kent State University.....	109,864	—
University of Toledo	83,869	—
Cleveland State University	68,850	—
Youngstown State University.....	46,803	—
Wright State University	89,152	—
Shawnee State University	14,930	—
Central State University.....	17,692	—
Medical College of Ohio.....	36,538	—
Terra State Community College	6,351	—
Columbus State Community College	33,070	—
Clark State Community College	6,564	—
Edison State Community College.....	4,876	—
Southern State Community College	3,787	—
Washington State Community College	4,595	—
Cincinnati State Community College	16,729	—
Northwest State Community College	4,358	—
Owens State Community College	24,621	—
Total Reporting Entity	<u>\$1,564,910</u>	<u>\$1,564,910</u>

NOTE 8 FIXED ASSETS

The following tables show fixed assets for the primary government and its component units by asset category, as of June 30, 1999, and the changes in the primary government's general fixed assets for the

year ended June 30, 1999. No projects were under construction during fiscal year 1999 that resulted in capitalized interest for the proprietary and fiduciary fund types.

**Primary Government
Fixed Assets
As of June 30, 1999
(dollars in thousands)**

	Enterprise	Internal Service	Pension Trust	General Fixed Assets	Total Primary Government
Land.....	\$ 12,871	\$ —	\$ 370	\$ 212,421	\$ 225,662
Buildings	248,248	5,733	3,236	2,476,320	2,733,537
Land Improvements	—	771	—	159,514	160,285
Machinery and Equipment	172,711	64,034	229	263,611	500,585
State Vehicles.....	3,268	877	16	241,854	246,015
Construction-in-Progress	—	—	—	535,645	535,645
Total Fixed Assets (at cost)	<u>437,098</u>	<u>71,415</u>	<u>3,851</u>	<u>3,889,365</u>	<u>4,401,729</u>
Accumulated Depreciation.....	(206,325)	(43,760)	(986)	—	(251,071)
Total Fixed Assets (net)	<u>\$230,773</u>	<u>\$27,655</u>	<u>\$2,865</u>	<u>\$3,889,365</u>	<u>\$4,150,658</u>



NOTE 8 FIXED ASSETS (Continued)

**Primary Government
Changes in General Fixed Assets
For the Fiscal Year Ended June 30, 1999**
(dollars in thousands)

	Balance July 1, 1998	Beginning Balance Adjustments	Additions	Deletions/ Net Transfers	Balance June 30, 1999
Land.....	\$ 198,023	\$ 4,707	\$ 10,577	\$ (886)	\$ 212,421
Buildings.....	2,256,807	69,212	178,545	(28,244)	2,476,320
Land Improvements.....	156,987	1,287	5,414	(4,174)	159,514
Machinery and Equipment.....	228,811	8,606	50,389	(24,195)	263,611
State Vehicles.....	230,879	744	34,036	(23,805)	241,854
Construction-in-Progress.....	588,898	(86,992)	413,772	(380,033)	535,645
Total General Fixed Assets.....	<u>\$3,660,405</u>	<u>\$ (2,436)</u>	<u>\$692,733</u>	<u>\$(461,337)</u>	<u>\$3,889,365</u>

**Component Units
Fixed Assets
As of June 30, 1999**
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Miami University	University of Akron
Land.....	\$ 34,722	\$ 17,129	\$ 10,531	\$ 2,294	\$ 16,968
Buildings.....	1,474,648	814,381	344,194	326,563	297,455
Land Improvements.....	147,771	29,200	53,222	59,351	33,010
Machinery, Equipment, and Vehicles.....	708,630	107,110	90,706	96,679	91,980
Library Books and Publications.....	131,121	90,590	52,884	40,398	51,029
Construction-in-Progress.....	193,727	166,029	4,277	24,900	3,166
Total Fixed Assets (at cost).....	2,690,619	1,224,439	555,814	550,185	493,608
Accumulated Depreciation.....	—	—	—	—	—
Total Fixed Assets (net).....	<u>\$2,690,619</u>	<u>\$1,224,439</u>	<u>\$555,814</u>	<u>\$550,185</u>	<u>\$493,608</u>

	Kent State University	University of Toledo	Cleveland State University	Other Component Units	Total Component Units
Land.....	\$ 6,747	\$ 17,798	\$ 51,777	\$ 53,590	\$ 211,556
Buildings.....	285,000	308,498	297,737	1,280,184	5,428,660
Land Improvements.....	34,466	28,950	14,934	89,739	490,643
Machinery, Equipment, and Vehicles.....	63,168	57,119	41,252	356,068	1,612,712
Library Books and Publications.....	48,246	19,152	47,063	91,847	572,330
Construction-in-Progress.....	12,353	11,474	1,771	55,825	473,522
Total Fixed Assets (at cost).....	449,980	442,991	454,534	1,927,253	8,789,423
Accumulated Depreciation.....	—	—	—	(367)	(367)
Total Fixed Assets (net).....	<u>\$449,980</u>	<u>\$442,991</u>	<u>\$454,534</u>	<u>\$1,926,886</u>	<u>\$8,789,056</u>

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including its component units, are eligible to be covered by one of the following retirement plans:

- Public Employees Retirement System
- State Teachers Retirement System
- State Highway Patrol Retirement System
- Alternative Retirement Plan



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (PERS)

Pension Benefits

PERS is a cost-sharing, defined benefit multiple-employer public employee retirement system.

PERS benefits are established under Chapter 145, Ohio Revised Code. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

PERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

Employer and employee required contributions to PERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for calendar year 1998 are as follows:

	Contribution Rates — Calendar Year 1998	
	Employee Share	Employer Share
Regular Employees	8.50%	13.31%
Law Enforcement Employees ..	9.00	16.70

Employer contributions required and made for the last three years follow (dollars in thousands).

Primary Government		
For the Year Ended December 31,	Employer's Contribution for Regular Employees	Employer's Contribution for Law Enforcement Employees
1998	\$212,114	\$2,970
1997	218,984	2,747
1996	196,501	2,410

Component Units	
For the Year Ended June 30,	Employer's Contribution for Regular Employees
1999	\$100,392
1998	97,944
1997	96,962

Other Postemployment Benefits

All age and service retirees with 10 or more years of service credit qualify for healthcare coverage under PERS. Healthcare coverage for disability recipients and primary survivor recipients is also available. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. For calendar year 1998, the portion of the employer rate that is used to fund healthcare is 4.2 percent of covered payroll for law enforcement and regular employees. Employees do not fund any portion of healthcare costs.

PERS healthcare benefits are funded on a pay-as-you-go basis. As of December 31, 1998, the unaudited estimate of the value of net assets available for future healthcare benefits is \$9.4 billion.

The State's net costs for the PERS healthcare plan are as follows (dollars in thousands):

Primary Government: (for the year ended December 31, 1998)	
Regular Employees	\$97,791
Law Enforcement Employees	998
Total.....	<u>\$98,789</u>

Component Units: (for the year ended June 30, 1999).....	
	<u>\$46,284</u>

The number of eligible benefit recipients for PERS as a whole is 115,579, as of December 31, 1998; a breakout of the number of eligible recipients for the primary government and its component units, as of December 31, 1998, is unavailable.

B. State Teachers Retirement System (STRS)

Pension Benefits

STRS is a cost-sharing, defined benefit multiple-employer public employee retirement system.

Participants in STRS, may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the "formula benefit" or the "money-purchase benefit" calculation.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent plus .1 percent for each year of Ohio contributing service in excess of 30 years, starting at 2.5 percent for the 31st year of service, and by 2.1 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary.

Under the "money-purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Annually, after retirement, STRS benefits are increased by the greater of the amount of the change in the Consumer Price Index or the cumulative increase in prior years, less previous cost-of-living increases, up to a maximum of three percent.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money purchase benefit or a lump-sum payment in addition to the original retirement allowance.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and 10 percent, respectively, and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary. Contribu-

tion rates for fiscal year 1999 were 14 percent for employers and 9.3 percent for employees. For STRS, 6.0 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the STRS healthcare program.

Employer contributions required and made for the last three years are as follows (dollars in thousands):

Year Ended June 30,	Primary Government	Component Units
1999	\$2,876	\$ 59,593
1998	4,384	101,964
1997	5,051	111,928

Other Postemployment Benefits

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents. Retirees are required to make healthcare premium payments at amounts that vary according to each retiree's years of credited service and choice of healthcare provider. Retirees must pay additional premiums for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the plan. Currently, employer contributions equal to 8.0 percent of covered payroll are allocated to pay for healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 1998, net assets available for future healthcare benefits are \$2.2 billion. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 1999, totaled approximately \$3.8 million and \$79.5 million, respectively. The number of eligible benefit recipients for STRS as a whole is 91,999, as of June 30, 1998; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 1998, is unavailable.

C. State Highway Patrol Retirement System (SHPRS)

SHPRS, a component unit of the State, was established in 1944 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Boulevard, Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 466-2268.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. Chapter 5505, Ohio Revised Code, also requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate.

During calendar year 1998, active employees and the employer contributed 10 percent and 24 percent, respectively, of active member payroll, of which all of the employees' contributions and 19.87 percent of the employer's contributions fund pension benefits. The difference in the total employer rates charged during calendar year 1998 and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits. Effective July 1, 1999, the employer rate will decrease to 23.5 percent of active member payroll, of which 19.5 percent will fund pension benefits and 4.0 percent will fund postemployment healthcare benefits. Employee contributions will remain unchanged.

SHPRS's financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned.

All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, be-

tween a willing buyer and a willing seller- that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments are based on the estimated current value and on independent appraisals. Assets are valued with a method that amortizes each year's investment gain or loss over a closed, four-year period.

The employer's annual pension costs for the last three calendar years are as follows (dollars in thousands):

Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
1998	\$13,060	100%
1997	12,202	100
1996	11,856	100

SHPRS used the entry-age normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 1998. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a 7.75 percent rate of return on investments; projected salary increase of five percent attributable to inflation and additional projected salary increases ranging from .5 percent to 3.5 percent per year attributable to seniority and merit; and post-retirement increases each year equal to the increase in the Consumer Price Index (not to exceed three percent).

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 10 years.

The Schedule of Funding Progress for the last three years is presented on the following page. Amounts reported do not include assets or liabilities for postemployment healthcare benefits.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**SHPRS Schedule of Funding Progress
Last Three Calendar Years**
(dollars in thousands)

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B) - (C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
1998	\$532,957	\$509,860	\$23,097	95.7%	\$65,154	35.4%
1997 (a)	496,917	460,667	36,250	92.7	62,233	58.2
1997	487,392	460,667	26,725	94.5	62,233	42.9
1996	454,514	411,316	43,198	90.5	59,239	72.9

(a) The plan was amended in 1997.

Other Postemployment Benefits

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 1998, was 1,446. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 1998 expense was \$3.1 million.

Healthcare benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition, the assumption that projected healthcare premiums would increase at a rate of five percent, compounded annually, due to inflation was also used in the valuation. The net assets available for benefits allocated to healthcare costs at December 31, 1998 was \$91.5 million, and include investments, which are carried at fair value, as previously described.

As of December 31, 1998, the actuarial accrued liability for healthcare benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$87.9 million; the prefunded actuarial accrued liability for healthcare benefits at that date was \$3.6 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately \$2.7

million or 4.13 percent of active member payroll for the period January 1 through December 31, 1998.

In 1998, the governing board of the SHPRS voted to provide optical and dental coverage to retirees at no cost. Vision and dental coverage will be provided beginning in August 1999 and January 2000, respectively.

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by STRS or PERS. Classified civil service employees are not eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to STRS or PERS would be transferred to the ARP. The Ohio Department of Insurance has designated eight companies as being eligible to serve as plan providers for the ARP.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Therefore, employees who would have otherwise been enrolled in STRS or PERS would contribute 9.3 percent or 8.5 percent (9.0 percent for law enforcement employees) of their gross salaries', respectively. Employees may also voluntarily make additional contributions to the ARP. Ohio law also requires that each public institution of higher education contribute 6.0 percent of the employees' gross salary to the retirement plan in which the employee would have otherwise been enrolled. The amount of this contribution is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on STRS and PERS. The Board of Trustees of each public institu-

tion of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the eight investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

Employer and employee contributions required and paid for the year ended June 30, 1999 totaled \$7.3 million and \$5.3 million, respectively.

NOTE 10 GENERAL OBLIGATION BONDS

The State has pledged its faith and credit for the payment of principal and interest on general obligation bonds accounted for and included with obligations in the General Long-Term Obligations Account Group.

At various times since 1921, Ohio voters, by 15 constitutional amendments (the last adopted in November 1995), have authorized the incurrence of general obligation debt for the construction and improvement of local infrastructure improvements, highways, research and development of coal technology, parks, recreation, and natural resources, and state facilities. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1987 constitutional amendment provided for the issuance of \$1.2 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds), of which no more than \$120 million may be issued in any calendar year. As of June 30, 1999, the General Assembly had authorized \$1.2 billion of these bonds to be sold, of which approximately \$1.2 billion had been issued and \$977 million (net of unaccrued discount of \$136.9 million on deep-discount bonds issued) was outstanding. In November 1995, voters approved another constitutional amendment that provided for the issuance of an additional \$1.2 billion of Infrastructure Bonds, of

which no more than \$120 million (plus any prior years' principal amounts not issued under the new authorization) may be sold in any state fiscal year. As of June 30, 1999, the General Assembly had authorized \$360 million in Infrastructure Bonds to be issued under the provisions of the 1995 constitutional amendment, of which \$120 million had been issued and \$116.3 million was outstanding.

A 1968 constitutional amendment authorized the issuance of Highway Obligations in amounts up to \$100 million in any calendar year, with no more than \$500 million in principal amount outstanding at any one time. The aggregate of General Assembly authorizations, as of June 30, 1999, for Highway Obligations, was approximately \$1.86 billion, of which \$1.75 billion had been issued and \$217.5 million was outstanding. Pursuant to an amendment voters approved in November 1995, the remaining \$109.7 million in General Assembly authorizations for the issuance of Highway Obligations expired December 31, 1996.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Through approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 1999, the General Assembly had authorized the issuance of approximately \$1.1 billion in Highway Capital Improvements Bonds, of which \$575 million had been issued and \$515 million was outstanding.

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 1999, the General Assembly had authorized the issuance of \$150 million in Coal Research and Development Bonds, of which \$95 million had been issued and \$23.9 million was outstanding. Legislative authorizations for the issuance of Parks, Recreation, and Natural Resources Bonds totaled \$180 million, as of June 30, 1999, of which \$130 million had been issued and \$112.7 million was outstanding.

General obligation bonds outstanding and bonds authorized but unissued, as of June 30, 1999, are presented in the table below.

For the year ended June 30, 1999, NOTE 15 summarizes changes in general obligation bonds reported in the General Long-Term Obligations Account Group.

Future general obligation debt service requirements, as of June 30, 1999, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2000.....	\$ 182,995	\$ 80,534	\$ 263,529
2001.....	186,020	74,383	260,403
2002.....	189,110	66,891	256,001
2003.....	192,515	59,081	251,596
2004.....	181,940	51,263	233,203
Thereafter.....	1,166,725	240,174	1,406,899
	<u>2,099,305</u>	<u>572,326</u>	<u>2,671,631</u>
Unaccreted Discount.....	(136,903)	—	(136,903)
Total.....	<u>\$1,962,402</u>	<u>\$572,326</u>	<u>\$2,534,728</u>

In August 1998, the Treasurer of State issued \$12.6 million in Infrastructure Improvement Refunding Bonds, Series 1998, to advance refund \$12.6 million in certain maturities of the Infrastructure Improvement Bonds, Series 1992. The net proceeds of \$13.4 million (after payment of approximately \$124 thousand in bond issuance costs, including the underwriters' discount) were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from the General Long-Term Obligations Account Group.

**Primary Government
General Obligation Bonds
As of June 30, 1999**
(dollars in thousands)

Description of General Obligation Bond	Fiscal Years Issued	Average Net Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Infrastructure Improvements.....	1990-99	4.7%-8.2%	2018	\$1,093,302	\$240,000
Highway Obligations.....	1993-97	4.5%-4.8%	2004	217,500	—
Highway Capital Improvements.....	1997-99	4.4%-4.8%	2009	515,000	517,000
Coal Research and Development.....	1992-96	4.5%-5.6%	2005	23,900	55,000
Parks, Recreation, and Natural Resources.....	1994-99	4.5%-5.6%	2014	112,700	50,000
Total General Obligation Bonds.....				<u>\$1,962,402</u>	<u>\$862,000</u>



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

The State advance refunded the bonds to reduce its total debt service payments over the next 10 years by approximately \$435 thousand. The refunding resulted in an economic gain of approximately \$367 thousand. The economic gain is the difference between the present value of the debt service payments on the old and new debt.

In prior years, the Treasurer of State defeased certain Infrastructure Improvement Bonds by placing the

proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 1999, \$62.9 million of Infrastructure Improvement Bonds outstanding are considered defeased.

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits State agencies and authorities to issue bonds that are not supported by the faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation, the Treasurer of State for the Ohio Department of Development's Office of Financial Incentives, and the Department of Transportation. Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, the University of Cincinnati, and the University of Toledo.

A. Primary Government

Revenue bonds accounted for in the Enterprise Fund finance the costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus.

OBA revenue bonds reported in the Internal Service Fund finance the costs of office buildings and related facilities for shared use by local governments. The principal and interest requirements on these bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 6.

Economic development bonds, issued by the Treasurer of State for the Office of Financial Incentives' Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State, which cannot obtain conventional financing for economic development projects that create or retain jobs in the State. The taxable bonds are backed with profits derived from the sale of spirituous liquor by the Ohio Department of Liquor Control and pledged moneys and related investment earnings held in re-

serve under a trust agreement with a financial institution. As of June 30, 1999, approximately \$159 million in economic development bonds payable from liquor profits were outstanding.

Additionally, taxable economic development bonds in the amount of \$2.5 million, issued by the Treasurer of State in connection with the Ohio Enterprise Bond Program, were outstanding, as of June 30, 1999. Proceeds from this bond issuance in fiscal year 1988 were placed in a reserve with trustee and are pledged to support, in part, the payment of principal and interest on other economic development bonds issued under this program.

During fiscal year 1999, \$15.6 million of Ohio Enterprise Bonds were issued under the authority of Section 166.09, Ohio Revised Code, to provide private entities with capital financing for economic development projects. The Ohio Enterprise Bonds, which are reported as "no commitment" debt in NOTE 16, are primarily secured by the property financed, and payments by the borrowing entities are used to retire the debt and to service interest payments.

In fiscal year 1998, the Treasurer of State issued \$70 million in State Infrastructure Bank Bonds for the Department of Transportation. The bonds finance construction costs of the Spring-Sandusky Highway Project in Columbus. The State has pledged federal highway receipts as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Revenue bonds outstanding for the primary government, as of June 30, 1999, are presented in the table on the following page.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Primary Government
Revenue Bonds
As of June 30, 1999
(dollars in thousands)

Description of Revenue Bond	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Enterprise:				
Ohio Building Authority/ Bureau of Workers' Compensation	1994	3.3%-5.1%	2014	\$191,864
Internal Service:				
Ohio Building Authority.....	1986-97	4.5%-9.8%	2008	31,815
General Long-Term Obligations:				
Treasurer of State:				
Economic Development	1988-97	6.4%-9.7%	2022	161,535
State Infrastructure Bank.....	1998	4.3%-5.0%	2008	63,225
Total General Long-Term Obligations				224,760
Total Revenue Bonds.....				\$448,439

For the year ended June 30, 1999, NOTE 15 summarizes changes in revenue bonds reported in the General Long-Term Obligations Account Group.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 1999, are as follows (dollars in thousands):

Year Ending June 30,	Enterprise Fund		
	Principal	Interest	Total
2000.....	\$ 7,000	\$ 9,209	\$16,209
2001.....	8,000	8,915	16,915
2002.....	9,000	8,571	17,571
2003.....	10,000	8,175	18,175
2004.....	11,000	7,734	18,734
Thereafter....	149,255	41,318	190,573
	194,255	83,922	278,177
Unamortized Discount.....	(2,391)	—	(2,391)
Total.....	\$191,864	\$83,922	\$275,786

Year Ending June 30,	Internal Service Fund		
	Principal	Interest	Total
2000.....	\$ 3,039	\$ 1,882	\$ 4,921
2001.....	3,194	1,728	4,922
2002.....	3,359	1,565	4,924
2003.....	3,531	1,394	4,925
2004.....	3,730	1,196	4,926
Thereafter....	15,354	4,958	20,312
	32,207	12,723	44,930
Unamortized Discount.....	(392)	—	(392)
Total.....	\$31,815	\$12,723	\$44,538

Year Ending June 30,	General Long-Term Obligations Account Group		
	Principal	Interest	Total
2000	\$ 11,440	\$ 14,851	\$ 26,291
2001	12,090	14,170	26,260
2002	11,375	13,487	24,862
2003	12,045	12,819	24,864
2004	12,745	12,105	24,850
Thereafter.....	165,065	105,431	270,496
Total	\$224,760	\$172,863	\$397,623

In October 1996, the Treasurer of State defeased outstanding Series 1989 Liquor Profits Refunding Bonds issued for the Office of Financial Incentives' Direct Loan Program by placing the proceeds of the Series 1996 Taxable Development Assistance Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 1999, \$22 million of the Series 1989 bonds are considered defeased.

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately \$102 million in Series 1996 Taxable Development Assistance Bonds on October 1, 2006. Under the terms of the bond purchase agreement, the underwriter has agreed to purchase approximately \$102 million in Series 1998 Taxable Development Assistance Refunding Bonds and deliver to the escrow agent on or before August 25, 2006 cash and/or direct U.S. government obligations sufficient to provide for the redemption of the



NOTE 11 REVENUE BONDS AND NOTES (Continued)

refunded bonds on October 1, 2006. Because the State has not taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds, as of June 30, 1999, no obligation for the refunding bonds has been included in the General Long-Term Obligations Account Group.

B. Component Units

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs as reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 1998, approximately \$555.8 million in bonds were outstanding for this program.

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 1998, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2000	\$ 20,730	\$ 29,035	\$ 49,765
2001	19,910	28,087	47,997
2002	21,535	27,057	48,592
2003	22,860	25,984	48,844
2004	24,270	24,750	49,020
Thereafter.....	444,695	171,945	616,640
	<u>554,000</u>	<u>306,858</u>	<u>860,858</u>
Unamortized Premium.....	1,839	—	1,839
Total	<u>\$555,839</u>	<u>\$306,858</u>	<u>\$862,697</u>

Generally, bonds and notes issued by the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of residence and dining halls and auxiliary facilities such as hospitals, parking facilities, bookstores, and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program bonds, the State is not obligated in any manner for the debt of its component units.

Future bond service requirements for revenue bonds and notes reported in the component unit funds, as of June 30, 1999, are presented in the table below and on the following page.

**Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 1999
(dollars in thousands)**

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/98)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999	\$ 83,810	\$ 78,494	\$ 162,304						
2000	95,670	74,380	170,050	\$112,057	\$ 8,887	\$120,944	\$ 56,904	\$ 12,751	\$ 69,655
2001	90,045	70,225	160,270	20,173	8,223	28,396	11,476	10,852	22,328
2002	89,815	66,127	155,942	20,945	7,533	28,478	12,116	10,290	22,406
2003	88,895	61,685	150,580	16,093	6,925	23,018	12,806	9,683	22,489
2004	—	—	—	13,644	6,461	20,105	11,715	9,042	20,757
Thereafter.....	1,062,730	399,074	1,481,804	105,340	41,272	146,612	156,491	65,767	222,258
	<u>1,530,965</u>	<u>749,985</u>	<u>2,280,950</u>	<u>288,252</u>	<u>79,301</u>	<u>367,553</u>	<u>261,508</u>	<u>118,385</u>	<u>379,893</u>
Unamortized Discount	(27,115)	—	(27,115)	—	—	—	—	—	—
Total	<u>\$1,503,850</u>	<u>\$749,985</u>	<u>\$2,253,835</u>	<u>\$288,252</u>	<u>\$79,301</u>	<u>\$367,553</u>	<u>\$261,508</u>	<u>\$118,385</u>	<u>\$379,893</u>

(Continued)



NOTE 11 REVENUE BONDS AND NOTES (Continued)

**Component Units
Future Funding Requirements for Revenue Bonds (Continued)
As of June 30, 1999
(dollars in thousands)**

Year Ending December 31 or June 30,	University of Toledo			Other Component Units			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999.....							\$ 83,810	\$ 78,494	\$ 162,304
2000.....	\$ 3,871	\$ 4,770	\$ 8,641	\$ 25,921	\$ 17,073	\$ 42,994	294,423	117,861	412,284
2001.....	3,983	4,643	8,626	29,645	15,818	45,463	155,322	109,761	265,083
2002.....	4,030	4,442	8,472	17,777	14,547	32,324	144,683	102,939	247,622
2003.....	4,229	4,232	8,461	18,083	13,714	31,797	140,106	96,239	236,345
2004.....	4,449	4,010	8,459	17,998	12,837	30,835	47,806	32,350	80,156
Thereafter.....	69,472	40,122	109,594	242,259	105,605	347,864	1,656,292	651,840	2,308,132
	90,034	62,219	152,253	351,683	179,594	531,277	2,522,442	1,189,484	3,711,926
Unamortized Discount.....	—	—	—	(351)	—	(351)	(27,466)	—	(27,466)
Total.....	\$90,034	\$62,219	\$152,253	\$351,332	\$179,594	\$530,926	\$2,494,976	\$1,189,484	\$3,684,460

NOTE 12 SPECIAL OBLIGATION BONDS

Special obligation bonds reported in the General Long-Term Obligations Account Group have been authorized and issued by the Ohio Building Authority (OBA), the Ohio Public Facilities Commission (OPFC), and the Treasurer of State for the Department of Education. OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for state departments and agencies and, in some cases, related facilities for local governments. OPFC bonds finance the cost of capital facilities for state-supported institutions of higher education, mental hygiene and retardation, and parks and recreation. Elementary and Secondary Education Bonds, which the Treasurer of State issues for the Department of Education, finance the cost of capital facilities for local school districts.

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs

of local government facilities are reported as revenue bonds (See NOTE 11).

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating Special Revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure OBA, OPFC, and the Elementary and Secondary Education bonds.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 1999, are presented in the table below.

For the year ended June 30, 1999, NOTE 15 summarizes changes in special obligation bonds reported in the General Long-Term Obligations Account Group.

**Primary Government
Special Obligation Bonds
As of June 30, 1999
(dollars in thousands)**

Organization	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority.....	1986-99	2.0%-9.8%	2019	\$2,264,079	\$ 744,000
Ohio Public Facilities Commission.....	1992-99	4.4%-6.1%*	2013	2,543,320	219,746
Elementary and Secondary Education.....	1996-99	3.7%-5.8%	2008	254,945	560,000
Total Special Obligation Bonds.....				\$5,062,344	\$1,523,746

*Average Effective Interest Rates



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Future special obligation debt service requirements, as of June 30, 1999, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2000	\$ 479,732	\$ 253,553	\$ 733,285
2001	468,682	227,651	696,333
2002	441,106	201,435	642,541
2003	429,099	179,872	608,971
2004	425,435	158,498	583,933
Thereafter.....	2,818,290	659,951	3,478,241
Total	<u>\$5,062,344</u>	<u>\$1,680,960</u>	<u>\$6,743,304</u>

During fiscal year 1999, the OBA had the following bond refundings.

- In September 1998, the OBA issued \$43.7 million in special obligation bonds with an average interest rate of 4.5 percent to retire \$41 million in bonds with an interest rate of 6.3 percent.
- In February 1999, the OBA issued \$70.8 million in special obligation bonds with an average interest rate of 4.5 percent to retire \$67 million in bonds with an interest rate of 6.3 percent.
- In May 1999, the OBA issued \$18.9 million in special obligation bonds with an average interest rate of 4.6 percent to retire \$18 million in bonds with an interest rate of 6.2 percent.

The net proceeds of \$138.5 million, plus an additional \$148 thousand from existing debt service moneys were placed with trustees to retire the bonds at the call date, and consequently, the liability associated with the refunded bonds has been removed

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 1999, approximately \$16.8 million in certificate of participation obligations were reported in the General Long-Term Obligations Account Group. In fiscal year 1992, the Department of Transportation issued \$8.7 million of certificates of participation obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also sold \$10 million in cer-

from the General Long-Term Obligations Account Group.

The refunding transactions in September, February, and May reduced the OBA's total future debt service payments by about \$3.4 million, \$6.2 million, and \$1.3 million, respectively, and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2.6 million, \$4.5 million, and \$.9 million, respectively.

In July 1998, the OPFC issued \$21.3 million in special obligation bonds to advance refund \$26.4 million of outstanding Mental Health Capital Facilities Bonds, Series 1991A. The net proceeds of \$21.6 million (after payment of \$103,177 for underwriter's discount), plus an additional \$6.4 million from existing debt service moneys, were used to purchase U.S. government securities, which were placed in an irrevocable trust with an agent to provide for all future debt service payments on the refunded principal. The OPFC refunded the Mental Health Capital Facilities Bonds to reduce its debt service over the next eight years by approximately \$2.3 million to obtain an economic gain of approximately \$3.8 million.

As a result of this transaction, the advance refunded bonds for the OPFC are considered defeased, and the related liability has been removed from the General Long-Term Obligations Account Group.

In prior years, the OBA and OPFC defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 1999, \$424.5 million and \$202.9 million of OBA and OPFC bonds outstanding, respectively, are considered defeased.

tificates of participation obligations to finance State assistance to the Greater Cleveland Regional Transit Authority for a share of the Cleveland Waterfront Transit Line Project's construction cost, and \$10.2 million in obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties.



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

**Primary Government
Certificate of Participation Obligations
As of June 30, 1999**
(dollars in thousands)

Project	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
General Long-Term Obligations:				
Department of Transportation:				
Panhandle Rail Line Project	1992	6.0%-6.5%	2012	\$ 6,895
Waterfront Transit Line Project.....	1996	4.6%-4.8%	2003	6,340
Rickenbacker Port Authority Improvements.....	1996	6.1%	2007	3,530
Total Certificates of Participation Obligations.....				<u>\$16,765</u>

Under the certificate of participation financing arrangements, the State is required to make payments from the Transportation Certificate Retirement Debt Service Fund and the General Fund subject to biennial appropriations that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under certificate of participation financing arrangements, as of June 30, 1999, are presented in the table above.

For the year ended June 30, 1999, NOTE 15 summarizes changes in certificate of participation obligations reported in the General Long-Term Obligations Account Group.

As of June 30, 1999, the primary government's future commitments under the certificate of participation financing arrangements are as follows (dollars in thousands):

Year Ending June 30,	General Long-Term Obligations Account Group		
	Principal	Interest	Total
2000.....	\$ 2,175	\$ 913	\$ 3,088
2001.....	2,285	803	3,088
2002.....	2,405	685	3,090
2003.....	2,530	558	3,088
2004.....	890	465	1,355
Thereafter...	6,480	1,893	8,373
Total.....	<u>\$16,765</u>	<u>\$5,317</u>	<u>\$22,082</u>

For the State's component units, approximately \$13.2 million in certificate of participation obligations are reported in the College and University Funds. The obligations finance building construction costs at the Ohio State University and University of Cincinnati.

As of June 30, 1999, future commitments under the certificate of participation financing arrangements for the State's component units are detailed in the table below.

**Component Units
Future Funding Requirements
for Certificate of Participation Obligations
As of June 30, 1999**
(dollars in thousands)

Year Ending June 30,	Ohio State University			University of Cincinnati			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2000.....	\$ 795	\$ 501	\$ 1,296	\$ 250	\$ 98	\$ 348	\$ 1,045	\$ 599	\$ 1,644
2001.....	820	471	1,291	250	87	337	1,070	558	1,628
2002.....	870	437	1,307	250	75	325	1,120	512	1,632
2003.....	925	401	1,326	250	63	313	1,175	464	1,639
2004.....	980	361	1,341	90	51	141	1,070	412	1,482
Thereafter.....	6,900	2,524	9,424	840	233	1,073	7,740	2,757	10,497
Total.....	<u>\$11,290</u>	<u>\$4,695</u>	<u>\$15,985</u>	<u>\$1,930</u>	<u>\$607</u>	<u>\$2,537</u>	<u>\$13,220</u>	<u>\$5,302</u>	<u>\$18,522</u>



NOTE 14 OTHER LONG-TERM OBLIGATIONS

As of June 30, 1999, other general long-term obligations of the State reported in the General Long-Term Obligations Account Group are as follows (dollars in thousands):

Compensated Absences (A.)	\$ 311,646
Lease Agreements (B.)	6,087
Judgments, Settlements, and Claims (C.)	63,930
Litigation Liabilities (C.)	62,373
Workers' Compensation Obligation (D.)	568,100
Total Other General Long-Term Obligations.....	<u>\$1,012,136</u>

For the year ended June 30, 1999, NOTE 15 summarizes the changes in other general long-term obligations reported in the General Long-Term Obligations Account Group.

A. Compensated Absences

To lessen the impact of terminal leave pay on a given State agency's budget, an accrued leave funding program was instituted by law in 1982. State agencies must contribute a percentage of their gross payroll to a common pool of resources from which terminal leave expenditures/expenses are paid. The amount of cash equity with Treasurer and related interest receivable available to satisfy terminal pay claims at June 30, 1999 was approximately \$25.5 million. These and related assets are reported as part of the Payroll Withholding and Fringe Benefits Agency Fund.

The compensated absence liability for the primary government's proprietary funds is reported net of the funds' portion of accrued leave funding and is included in "Accrued Liabilities." The compensated absence liability for the primary government's governmental funds is also reported net of the funds' portion of the accrued leave funding and is reported as part of the General Long-Term Obligations Account Group.

For the primary government, the gross compensated absences liability, as of June 30, 1999, was \$371.2 million, of which \$36.6 million is allocable to the proprietary funds and \$334.6 million is allocable to the General Long-Term Obligations Account Group. The net (after reduction of the \$25.5 million) compensated absence liability, as of June 30, 1999, was \$345.7 million, of which \$34.1 million is reported in the proprietary funds and \$311.6 million is reported

in the General Long-Term Obligations Account Group.

For the State's component units, the compensated absences liability, as of June 30, 1999, in the amount of \$192.5 million is included in "Accrued Liabilities."

B. Lease Agreements

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or in the General Long-Term Obligations Account Group or appropriate proprietary fund type for capital leases.

Assets acquired through capital leasing are valued at the lower of fair market value or the present value of the future minimum lease payments at the lease's inception. The noncurrent portion of capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital lease obligations for the governmental fund types are reported in the General Long-Term Obligations Account Group and the related assets are reported in the General Fixed Assets Account Group.

Operating leases (leases on assets not recorded in the combined balance sheet) contain various renewal options as well as some purchase options.

Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The primary government's total operating lease expenditures/expenses for fiscal year 1999 were approximately \$89.4 million.



NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 1999, are as follows (dollars in thousands):

Primary Government	
Year Ending June 30,	Operating Leases
2000	\$10,861
2001	1,527
2002	88
2003	61
2004	13
Thereafter	—
Total minimum lease payments	<u>\$12,550</u>

Capital Leases			
Year Ending June 30,	Enterprise Funds	General Long-Term Obligations	Total
2000	\$1,569	\$2,866	\$4,435
2001	1,266	2,172	3,438
2002	1,237	747	1,984
2003	—	446	446
2004	—	197	197
Thereafter	—	303	303
Total minimum lease payments	4,072	6,731	10,803
Amount representing interest	(339)	(644)	(983)
Present value of net minimum lease payments	<u>\$3,733</u>	<u>\$6,087</u>	<u>\$9,820</u>

As of June 30, 1999, the primary government had the following fixed assets (net of accumulated depreciation for proprietary funds) under capital leases, which are reported under "Accrued Liabilities" in the proprietary funds (dollars in thousands):

Primary Government			
	Enterprise Fund	General Fixed Assets	Total
Equipment ..	\$4,060	\$12,360	\$16,420
Vehicles ..	—	37	37
Total	<u>\$4,060</u>	<u>\$12,397</u>	<u>\$16,457</u>

Amortization expense for the proprietary funds is included with depreciation expense.

For the component units, capital lease obligations are included under the "Accrued Liabilities" account. Future minimum lease commitments for capital leases judged to be noncancelable and fixed assets under capital leases, as of June 30, 1999, are presented in the table below.

C. Judgments, Settlements, and Claims/Litigation Liabilities

The Ohio Department of Education has been involved with several school desegregation court cases filed against the State by various local boards of education. In cases when the judgment went against

**Component Units
Future Funding Requirements for Capital Lease Obligations
and Fixed Assets Acquired Under Capital Leases
As of June 30, 1999
(dollars in thousands)**

Year Ending June 30,	Ohio State University	University of Cincinnati	Miami University	Other Component Units	Total Component Units
2000	\$ 2,549	\$ 7,029	\$ 2,554	\$ 8,560	\$ 20,692
2001	2,863	7,922	2,351	6,364	19,500
2002	1,918	7,924	2,103	7,853	19,798
2003	1,918	7,923	1,676	2,121	13,638
2004	902	7,921	1,222	1,178	11,223
Thereafter	961	135,442	2,235	4,026	142,664
Total Minimum Lease Payments	11,111	174,161	12,141	30,102	227,515
Amount Representing Interest	(1,445)	(71,703)	(1,955)	(3,811)	(78,914)
Present Value of Net Minimum Lease Payments	<u>\$ 9,666</u>	<u>\$102,458</u>	<u>\$10,186</u>	<u>\$26,291</u>	<u>\$148,601</u>
Land	\$ —	\$ —	\$ —	\$ 517	\$ 517
Buildings	—	151,994	1,152	7,284	160,430
Land Improvements	—	—	—	5,340	5,340
Equipment	12,673	—	14,802	34,267	61,742
Vehicles	—	—	—	599	599
Total	<u>\$12,673</u>	<u>\$151,994</u>	<u>\$15,954</u>	<u>\$48,007</u>	<u>\$228,628</u>



NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

the State, the courts decided the State was responsible for sharing in all past and future desegregation costs. As of June 30, 1999, the State was responsible for an estimated \$33 million liability for past desegregation costs, which is recorded in the General Long-Term Obligations Account Group until such time that it becomes payable from the General Fund.

Additionally, the State has accrued \$21.4 million and \$9.5 million for potential refunds and other claims, respectively.

For information on the State's loss contingencies arising from pending litigation, see NOTE 22.

D. Workers' Compensation Obligation

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized an unbilled premium receivable for the State's portion of its actuarially determined liability for compensation, which is recorded in the General Long-Term Obligations Account Group, in the amount of \$568.1 million.

E. Liabilities Payable from Restricted Assets

Deferred Prize Awards

Deferred prize awards payable in installments over future years totaling approximately \$1.4 billion, as of June 30, 1999, are recorded as "Liabilities Payable from Restricted Assets" at present value based upon interest rates the Treasurer of State provides the Ohio Lottery Commission Enterprise Fund. The interest rates, ranging from 4.0 to 11.7 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method.

The present value of future payments of unpaid prize awards, as of June 30, 1999, is as follows (dollars in thousands):

Year Ending June 30,	
2000.....	\$ 167,507
2001.....	167,171
2002.....	167,411
2003.....	167,166
2004.....	163,732
Thereafter.....	1,440,801
	<u>2,273,788</u>
Unamortized Discount.....	(916,068)
Net Prize Liability.....	<u>\$1,357,720</u>

Prizes can be claimed within six months of the drawing date for on-line games and within six months of the closing date for instant games. After the expiration of the statutory six-month period, the prize liability is reduced by the amount estimated for unclaimed prizes.

Tuition Benefits

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund totaling \$316.6 million, as of June 30, 1999, are recorded as "Liabilities Payable from Restricted Assets." The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases at state universities and state community colleges and termination of plan participation.

The following assumptions were used in the actuarial determination of tuition benefits payable: 7.5 percent rate of return, compounded annually, on the investment of current and future assets; a projected tuition increase of 6.0 percent, compounded annually; and a 3.0 percent Consumer Price Index (CPI) inflation rate. The assumed rate of projected tuition increase is a compounded average result. Tuition rates are assumed to grow based on a formula reflecting CPI, student enrollment, and proportion to total expenditures covered by tuition.

F. Reserve for Compensation

The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 1999, in the amount of \$12.6 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the Enterprise Fund. NOTE 23A. describes the changes in this liability.



NOTE 15 CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations, for the year ended June 30, 1999, are presented in the following table.

Fiscal year 1999 additions to the general obligation bonds and special obligation bonds do not include

premiums/(discounts) and bond issuance costs. These costs came to approximately \$4.2 million and \$8.9 million, respectively for each type of bond issuance, and are netted with bond proceeds and refunding bond proceeds reported on the governmental funds' combined operating statement.

Primary Government
Changes in Other General Long-Term Obligations
For the Fiscal Year Ended June 30, 1999
(dollars in thousands)

	General Obligation Bonds (NOTE 10)	Revenue Bonds (NOTE 11)	Special Obligation Bonds (NOTE 12)	Certificates of Participation (NOTE 13)	Other General Long-Term Obligations (NOTE 14)	Total
Balance, as of June 30, 1998.....	\$1,568,183	\$236,805	\$4,831,558	\$18,615	\$ 950,684	\$7,605,845
Additions:						
Debt Issues.....	562,635	—	868,255	—	—	1,430,890
Deep-Discount Accretions.....	17,029	—	1,783	—	—	18,812
Increase in Compensated Absences.....	—	—	—	—	34,733	34,733
Increase in Lease Obligations.....	—	—	—	—	2,257	2,257
Increase in Workers' Compensation Obligation.....	—	—	—	—	30,400	30,400
Increase in Judgments, Settlements, and Claims.....	—	—	—	—	45,830	45,830
Increase in Litigation Liabilities.....	—	—	—	—	32,473	32,473
Total Additions	579,664	—	870,038	—	145,693	1,595,395
Deductions:						
Debt Retirements, Terminations, and Defeasances.....	185,445	12,045	639,252	1,850	—	838,592
Decrease in Lease Obligations.....	—	—	—	—	10,205	10,205
Decrease in Judgments, Settlements, and Claims.....	—	—	—	—	47,786	47,786
Decrease in Litigation Liabilities.....	—	—	—	—	26,250	26,250
Total Deductions	185,445	12,045	639,252	1,850	84,241	922,833
Balance, as of June 30, 1999.....	<u>\$1,962,402</u>	<u>\$224,760</u>	<u>\$5,062,344</u>	<u>\$16,765</u>	<u>\$1,012,136</u>	<u>\$8,278,407</u>

NOTE 16 NO COMMITMENT DEBT

The State of Ohio by action of the General Assembly created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent limited obligations payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt

is not deemed to constitute debt of the State or pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 1999, revenue bonds and notes outstanding that represent "no commitment" debt for the State are as follows (dollars in thousands):

Organization	Outstanding Amount
Ohio Department of Development:	
Ohio Housing Finance Agency.....	\$1,977,237
Ohio Enterprise Bond Program.....	104,300
Hospital Facilities Bonds.....	8,730
Total No Commitment Debt	<u>\$2,090,267</u>



NOTE 17 ENTERPRISE FUNDS — SEGMENT INFORMATION

The primary government has six enterprise funds, which provide for the tuition guarantee program, liquor sales, lottery sales, workers' compensation insurance services, underground state parking facilities, and government audit and management advisory services.

Segment information, as of and for the fiscal year ended June 30, 1999, is as follows (dollars in thousands):

	Tuition Trust Authority	Liquor Control	Ohio Lottery Commission	Workers' Compensation	Underground Parking Garage	Office of Auditor of State	Total Enterprise Funds
Operating Revenues	\$ 97,120	\$397,018	\$2,272,018	\$ 3,625,174	\$ 2,589	\$33,040	\$ 6,426,959
Depreciation	114	2,730	13,631	13,722	421	2,039	32,657
Amortization of Premiums	—	—	99,204	393	—	—	99,597
Operating Income (Loss)	25,886	104,435	628,322	1,149,396	720	(31,000)	1,877,759
Operating Transfers-in	—	—	—	—	—	32,344	32,344
Operating Transfers-out	—	108,840	696,303	5,779	773	—	811,695
Net Income (Loss)	25,868	(4,666)	(68,807)	1,137,500	22	173	1,090,090
Fixed Asset Additions	121	2,570	1,924	6,325	444	4,299	15,683
Fixed Asset Disposals	61	2,641	1,554	42,186	—	7,763	54,205
Net Working Capital	34,585	11,708	131,623	(73,624)	1,885	15,827	122,004
Increase (Decrease) in							
Cash & Cash Equivalents ..	(320)	(1,819)	(25,167)	(1,228,362)	422	637	(1,254,609)
Total Assets	427,545	50,172	2,676,837	23,938,562	10,874	30,389	27,134,379
Liabilities Payable from							
Restricted Assets	316,600	—	2,361,762	—	—	—	2,678,362
Bonds and Other Non- current Liabilities Payable from Operating Revenues ..	80	2,004	4,188	12,784,565	89	5,643	12,796,569
Total Equity (Deficits)	110,497	12,399	192,522	5,238,687	9,242	17,925	5,581,272

NOTE 18 CHANGES IN CONTRIBUTED CAPITAL

For the fiscal year ended June 30, 1999, changes in contributed capital reported in the primary government's proprietary funds are as follows (dollars in thousands):

	Enterprise Fund		Internal Service Fund			Total Internal Service Fund	Total Proprietary Funds
	Underground Parking Garage	Ohio Data Network	Ohio Penal Industries	Support Services			
Contributed Capital Balance, July 1, 1998	\$ —	\$39,345	\$1,512	\$5,257	\$46,114	\$46,114	
Additions:							
Capital Contributions from Other Funds (reported as Residual Equity Transfers-out):							
Capital Projects Funds:							
Mental Health/Mental Retardation							
Facilities Improvements	—	—	—	275	275	275	
Administrative Services							
Building Improvements	411	4,720	—	—	4,720	5,131	
Adult Correctional Building Improvements	—	—	250	—	250	250	
Total Additions	411	4,720	250	275	5,245	5,656	
Contributed Capital Balance, June 30, 1999	\$411	\$44,065	\$1,762	\$5,532	\$51,359	\$51,770	



NOTE 19 FUND EQUITY

A. Fund Deficits

The Local Infrastructure Improvements Bond Retirement Debt Service Fund and the Adult Correctional Building Improvements Capital Projects Fund report a fund balance deficit of \$18 thousand and \$14.9 million, respectively, as of June 30, 1999.

B. Other Reserves and Designations

Details on the "Reserved for Other" account reported for the governmental and expendable trust funds and the "Restricted Fund Balances" account reported for the component unit funds, as of June 30, 1999, are presented in the table below.

Retained earnings for the Enterprise Fund, as of June 30, 1999, are reserved for the payment of deferred lottery prizes from the Ohio Lottery Commission Fund and insurance claims payable from the Work-

ers' Compensation Fund in the amounts of \$43.4 million, and \$107.8 million, respectively.

Reserved retained earnings for the Internal Service Fund, as of June 30, 1999, are provided for the funding of future health care benefits in the amount of \$204 thousand.

As of June 30, 1999, designations of the General Fund's unreserved fund balance are as follows (dollars in thousands):

General Fund	Unreserved, Designated Fund Balance
Income Tax Reduction Program.....	\$293,185
Public School Building Program.....	325,700
SchoolNet Plus Program.....	85,400
Budget Stabilization.....	46,374
Interactive Video Learning Program.....	4,600
Total Designations.....	<u>\$755,259</u>

**Primary Government
Reserved for Other Fund Balance
As of June 30, 1999**
(dollars in thousands)

	General	Special Revenue	Capital Projects	Expendable Trust	Total
Inventories.....	\$ 1,000	\$33,269	\$ —	\$ —	\$ 34,269
Other Assets — Prepays.....	6,453	177	—	—	6,630
Human Services Stabilization.....	100,000	—	—	—	100,000
Loan Commitments.....	—	4,900	64,696	—	69,596
Health Care Benefits.....	6,446	4,447	3	—	10,896
Advances to Other Funds.....	—	—	—	145,689	145,689
Department of Development's Office of Minority Financial Incentives — Mini-Loan Program Deposits.....	1,066	—	—	—	1,066
Total Reserved for Other Fund Balance.....	<u>\$114,965</u>	<u>\$42,793</u>	<u>\$64,699</u>	<u>\$145,689</u>	<u>\$368,146</u>

**Component Units
Restricted Fund Balance
As of June 30, 1999**
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
General Operations (includes Auxiliary Enterprises)	\$ 185,056	\$ 81,502	\$ 85,968	\$ 352,526
Loan Programs.....	55,292	30,414	104,444	190,150
Endowment and Quasi-Endowment Activities.....	998,033	1,078,944	195,443	2,272,420
Plant Operations.....	—	25,510	21,143	46,653
Annuity and Life Income.....	—	5,423	—	5,423
University Foundations.....	—	52,179	1,991	54,170
Grants and Contracts.....	—	—	2,697	2,697
Student Organizations and Support Services.....	—	—	167	167
Total Restricted Fund Balance.....	<u>\$1,238,381</u>	<u>\$1,273,972</u>	<u>\$411,853</u>	<u>\$2,924,206</u>



NOTE 19 FUND EQUITY (Continued)

As of June 30, 1999, designations of the component units funds' unreserved fund balance are as follows.

Component Units Designated Fund Balance As of June 30, 1999 <i>(dollars in thousands)</i>				
Designated for:	Ohio University	Miami University	Other Component Units	Total Component Units
Educational and General Programs.....	\$18,103	\$32,877	\$112,318	\$163,298
Auxiliary Enterprises.....	3,099	1,803	8,045	12,947
Hospital Operations.....	—	—	444	444
Loan Programs.....	1,064	849	1,402	3,315
Endowment and Quasi-Endowment Activities.....	13,029	32,455	36,348	81,832
Plant Operations.....	48,630	2,148	46,384	97,162
Federal and State Grants.....	—	—	2,631	2,631
Total Designated Balance.....	<u>\$83,925</u>	<u>\$70,132</u>	<u>\$207,572</u>	<u>\$361,629</u>

NOTE 20 COMPONENT UNIT FUNDS

Condensed financial statements for the component unit funds are as follows.

Component Units Condensed Balance Sheet As of June 30, 1999 <i>(dollars in thousands)</i>					
	Ohio Water Development Authority (12/31/98)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Assets					
Cash Equity with Treasurer.....	\$ 305	\$ —	\$ —	\$ —	\$ 305
Cash and Cash Equivalents.....	15,655	61,633	46,235	126,830	250,353
Investments.....	934,053	1,590,851	697,571	947,720	4,170,195
Receivables.....	1,879,267	316,544	106,578	281,246	2,583,635
Due from Other Funds.....	1,905	271,881	117,036	63,878	454,700
Inventories.....	—	20,203	4,377	18,676	43,256
Restricted Assets.....	—	11,027	—	12,603	23,630
Fixed Assets (net of accumulated depreciation, as applicable).....	370	2,690,619	1,224,439	4,873,628	8,789,056
Other Assets.....	19,073	26,703	706,031	37,438	789,245
Total Assets.....	<u>\$2,850,628</u>	<u>\$4,989,461</u>	<u>\$2,902,267</u>	<u>\$6,362,019</u>	<u>\$17,104,375</u>
Liabilities					
Accounts Payable.....	\$ 20,525	\$ 87,096	\$ 29,081	\$ 74,531	\$ 211,233
Accrued Liabilities.....	6,619	201,964	203,702	296,470	708,755
Intergovernmental Payable.....	—	—	—	441	441
Due to Other Funds.....	1,905	271,881	117,036	63,878	454,700
Deferred Revenue.....	—	70,149	10,540	103,413	184,102
Refund and Other Liabilities.....	4,094	30,990	66,129	42,879	144,092
Revenue Bonds and Notes.....	1,503,850	288,252	261,508	441,366	2,494,976
Certificates of Participation.....	—	11,290	1,930	—	13,220
Total Liabilities.....	<u>1,536,993</u>	<u>961,622</u>	<u>689,926</u>	<u>1,022,978</u>	<u>4,211,519</u>
Fund Equity and Other Credits					
Investment in General Fixed Assets ...	—	2,384,591	925,921	4,444,675	7,755,187
Total Unreserved Retained Earnings..	1,313,635	—	—	—	1,313,635
Total Fund Balance.....	—	1,643,248	1,286,420	894,366	3,824,034
Total Fund Equity and Other Credits ..	<u>1,313,635</u>	<u>4,027,839</u>	<u>2,212,341</u>	<u>5,339,041</u>	<u>12,892,856</u>
Total Liabilities, Fund Equity and Other Credits.....	<u>\$2,850,628</u>	<u>\$4,989,461</u>	<u>\$2,902,267</u>	<u>\$6,362,019</u>	<u>\$17,104,375</u>



NOTE 20 COMPONENT UNIT FUNDS (Continued)

Colleges and Universities
Condensed Statement of Changes in Fund Balances
For the Year Ended June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues and Other Additions.....	\$1,957,131	\$ 610,016	\$ 2,392,524	\$ 4,959,671
Total Expenditures and Other Deductions.....	(2,018,250)	(662,765)	(3,145,562)	(5,826,577)
Operating Transfers from Primary Government.....	418,486	186,342	960,082	1,564,910
Net Increase (Decrease) for the Year.....	357,367	133,593	207,044	698,004
Fund Balance and Other Credits, July 1 (as restated).....	3,670,472	2,078,748	5,131,997	10,881,217
Fund Balance and Other Credits, June 30.....	\$4,027,839	\$2,212,341	\$ 5,339,041	\$11,579,221

Colleges and Universities
Condensed Statement of Current Funds Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues.....	\$1,429,358	\$436,570	\$1,958,608	\$3,824,536
Expenditures:				
Educational and General.....	1,147,059	533,764	2,305,951	3,986,774
Auxiliary Enterprises.....	132,953	52,849	369,888	555,490
Hospitals.....	482,200	—	139,439	621,639
Total Expenditures.....	1,762,212	586,613	2,815,078	5,163,903
Mandatory Transfers, Net.....	34,278	18,551	46,804	99,633
Total Expenditures and Mandatory Transfers.....	1,796,490	605,164	2,861,882	5,263,536
Other Transfers and Additions (Deductions):				
Operating Transfers from Primary Government.....	414,127	184,203	956,405	1,554,735
Nonmandatory Transfers, Net.....	(17,387)	(12,080)	(63,215)	(92,682)
Additions (Deductions).....	10,796	(977)	12,188	22,007
Total Other Transfers and Additions (Deductions).....	407,536	171,146	905,378	1,484,060
Net Increase in Fund Balances.....	\$ 40,404	\$ 2,552	\$ 2,104	\$ 45,060

NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution.

Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board except when restricted by the GLPF's articles of incorporation.



NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio has applied its distribution (approximately \$1.1 million for the year ended December 31, 1998) to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 1998 (the GLPF's year end), are as follows (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	\$25,000	\$25,000	30.9%
Indiana*	16,000	—	—
Illinois	15,000	15,000	18.4
Ohio	14,000	14,000	17.3
New York	12,000	12,000	14.8
Wisconsin	12,000	12,000	14.8
Minnesota	1,500	1,500	1.9
Pennsylvania ...	1,500	1,500	1.9
Total	\$97,000	\$81,000	100.0%

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary financial information for the GLPF, for the fiscal year ended December 31, 1998, is as follows (dollars in thousands):

Cash and Investments	\$127,091
Other Assets	523
Total Assets	\$127,614
Total Liabilities	\$ 2,510
Total Fund Equity	125,104
Total Liabilities and Fund Equity ...	\$127,614
Total Revenues and Other Additions	\$ 18,213
Total Expenditures	(9,250)
Net Increase in Fund Equity	\$ 8,963

In the event of the Fund's dissolution, the State of Ohio would receive a portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members. The governing boards of the technical colleges consist of either seven or nine trustees, of whom State officials appoint two and three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. These expenditures are included in the "Higher Education Support" expenditure function reported in the General Fund. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Higher Education Facilities bonds issued by the Ohio Public Facilities Commission (OPFC) for these purposes. The capital outlay expenditures for the projects financed by the OPFC bond issuances are included in the Higher Education Improvements Capital Projects Fund.



NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 1999, expenditures reported in the General Fund and the Higher Education Improvements Capital Projects Fund in support of the local community and technical colleges are as follows (dollars in thousands):

	Higher Education Support	Capital Outlay	Total
Local Community Colleges:			
Cuyahoga Community College..	\$ 40,443	\$ 9,782	\$ 50,225
Jefferson Community College..	3,731	191	3,922
Lakeland Community College..	13,827	788	14,615
Lorain County Community College.....	15,709	294	16,003
Rio Grande Community College.....	3,982	66	4,048
Sinclair Community College....	34,080	4,851	38,931
Total Local Community Colleges	111,772	15,972	127,744
Technical Colleges:			
Belmont Technical College.....	4,726	339	5,065
Central Ohio Technical College.....	4,100	490	4,590
Hocking Technical College.....	16,385	2,038	18,423
Lima Technical College.....	6,559	4,788	11,347
Marion Technical College.....	3,409	36	3,445
Muskingum Technical College..	5,385	16	5,401
North Central Technical College.....	6,844	386	7,230
Stark State College of Technology.....	9,234	1,065	10,299
Total Technical Colleges	56,642	9,158	65,800
Total.....	\$168,414	\$25,130	\$193,544

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, the Higher Education Facility Commission, and the

Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

During fiscal year 1999,

- The primary government distributed \$2.3 million in motor vehicle fuel excise tax collections from the Special Revenue Fund to the Ohio Turnpike Commission.
- Separate funds, established for the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the Other Agency Fund.
- The Public Defender's Office compensated the Ohio Legal Assistance Foundation approximately \$594 thousand from the Special Revenue Fund for administrative services performed under contract for the distribution of State funding to nonprofit legal aid societies. Also, during fiscal year 1999, the Ohio Legal Assistance Foundation received approximately \$695 thousand in state assistance from the Special Revenue Fund.

NOTE 22 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations.

In instances when the unfavorable outcome of pending litigation has been assessed to be probable, liabilities are recorded in the financial statements.



NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

As of June 30, 1999, \$62.4 million in liabilities ultimately payable from various governmental funds has been recorded in the General Long-Term Obligations Account Group for this purpose.

Litigation, similar to that in other states, has been pending in Ohio courts since 1991 questioning the constitutionality of Ohio's system of school funding. The Ohio Supreme Court concluded in 1997 that major aspects of the system (including basic operating assistance and state loans) were unconstitutional. The Court ordered the State to provide for and fund sufficiently a system complying with the Ohio Constitution, staying its order to permit time for responsive corrective actions by the Ohio General Assembly. The Court indicated that property taxes may still play a role in, but "can no longer be the primary means" of, school funding. The Court remanded the case to the trial court to hear evidence and render an opinion on the constitutionality of the enacted legislation which opinion could then be appealed directly to the Ohio Supreme Court. A hearing in the trial court was subsequently held on the constitutionality of the legislation enacted since 1992 to enhance school funding consistent with the Supreme Court decision.

In February 1999, the trial court judge issued his ruling. He concluded that the State continues to be not in compliance with the constitutional requirements, and ordered the State "forthwith to provide for and fund a system of funding public elementary and secondary education in compliance with the Ohio Constitution and the [1997] directive of the Ohio Supreme Court." He also ordered the State Board of Education and the State Superintendent of Public Instruction to prepare and submit to the General Assembly proposals for compliance with the trial court orders and the Supreme Court directive.

The State has appealed the trial court's decision to the Supreme Court. The Supreme Court has granted the State's request for a stay, pending appeal, of implementation of the trial court's order. Oral arguments took place before the Supreme Court on November 16, 1999. It is not possible at this time to state what the results of any appeal might be, or, should plaintiffs prevail on appeal, the effect on the State's present school funding system.

As part of its post-1991 response, the General Assembly has increased state funding for public schools. In addition, the General Assembly placed two issues on the May 1998 primary ballot. The voters approved neither. One was a constitutional amendment authorizing additional state debt issuing capacity, and the other was an increase in Ohio's sales tax. That constitutional amendment would have authorized general obligation debt to pay costs of school facilities throughout Ohio and facilities at state institutions of higher education. As discussed further in NOTE 25, on November 2, 1999, voters approved a constitutional amendment to authorize the use of State-backed general obligation bonds for school facilities.

Other litigation pending in the Ohio Court of Claims contests the Ohio Department of Human Services' prior Medicaid financial eligibility rules for married couples when one spouse is living in a nursing facility and the other spouse resides in the community. The Department promulgated new eligibility rules effective January 1, 1996. The Department appealed an order of the federal court directing it to provide notice to persons potentially affected by the former rules from 1990 through 1995, and the Court of Appeals ruled in favor of the Department; plaintiff's petition for certiorari was not granted by the U.S. Supreme Court. As to the Court of Claims case, it is not possible to state the period (beyond fiscal year 1999) during which necessary additional Medicaid expenditures would have to be made. Plaintiffs have estimated total additional Medicaid expenditures at \$600 million for the retroactive period and, based on current law, it is estimated that the State's share of those additional expenditures would be approximately \$240 million. In April 1999, the Court of Claims decertified the action there as a class action; plaintiffs have appealed the decertification.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of the State's fund types and account groups.

B. Federal Awards

The State of Ohio receives significant awards from the federal government in the form of grants and entitlements, including certain non-cash programs



NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

(which are not included in the General-Purpose Financial Statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the applicable funds or the General Long-Term Obligations Account Group.

As a result of the 1998 State of Ohio Single Audit (completed in December 1998), approximately \$3.1 million of federal expenditures is in question as not being appropriate under the terms of the respective grants. The amount of expenditures, which may be ultimately disallowed by the grantor, cannot be determined at this time, and consequently, no provision for any liability or adjustments for this matter has been recognized in the State's financial statements for the fiscal year ended June 30, 1999.

C. Construction Commitments

As of June 30, 1999, the Department of Transportation had contractual commitments of approximately \$1.36 billion for highway construction projects.

Funding for future expenditures is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in the amounts of \$572.1 million, \$392.9 million, \$357.9 million, and \$39.1 million, respectively.

As of June 30, 1999, non-highway construction commitments for the primary government's budgeted capital projects funds are as follows (dollars in thousands):

<u>Capital Projects Fund</u>	
Arts Facilities Building Improvements	\$ 18,793
Higher Education Improvements	167,423
Mental Health/Mental Retardation Facilities Improvements	23,487
Parks and Recreation Improvements	11,836
Local Infrastructure Improvements	13
Administrative Services	
Building Improvements	40,772
Youth Services Building Improvements	25,056
Transportation Building Improvements	7,397
Adult Correctional Building Improvements ..	126,655
Highway Safety Building Improvements	4,399
Ohio Parks and Natural Resources	31,198
Sports Facilities Building	36,682
Total	<u>\$493,711</u>

NOTE 23 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from work-related injuries or illnesses.

The compensation adjustment expenses liability, which is included in "Refund and Other Liabilities" in the amount of approximately \$1.4 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claims-related expenses, estimated costs of the Health Partnership Program, and the reserve for compensation.

The "Benefits Payable" account balance, as of June 30, 1999, in the amount of approximately \$12.6 billion includes reserves for indemnity and medical claims, including actuarial estimates for both reported claims and claims incurred but not reported. The estimate for this liability is based on historical claims experience data and assumptions and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claim reserves.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the reported liability estimates are adequate; however, the ultimate liabilities may vary from amounts provided. The methods of making such estimates and for establishing the resulting liabilities are reviewed and updated quarterly based upon current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.



NOTE 23 RISK FINANCING (Continued)

Benefits payable and the compensation adjustment expenses liability are discounted at 6.25 percent in fiscal year 1999 and 6.5 percent in fiscal year 1998. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$30.2 billion, as of June 30, 1999, and \$33.6 billion, as of June 30, 1998. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 1999.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

B. Ohio Med Health Plan

Employees of the primary government have the option of participating in the Ohio Med Health Plan, which is a fully self-insured health benefit plan established July 1, 1989. Medical Mutual of Ohio administers the plan under a claims administration contract with the primary government.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plan's actuary calculates estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and

Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio for claims settlement.

For governmental funds, the primary government recognizes claims as expenditures to the extent that the amounts are payable with expendable available financial resources; any remaining accrued unfunded liabilities are reported in the General Long-Term Obligations Account Group. For proprietary funds, claims are recognized as expenses when incurred.

Consequently, claims liabilities that exceed financial resources accounted for in the Payroll Withholding and Fringe Benefits Agency Fund are reported as unfunded liabilities in the proprietary funds and in the General Long-Term Obligations Account Group.

As of June 30, 1999, approximately \$32.4 million in assets was available in the Agency Fund. Changes in the balance of Ohio Med health claims liabilities during the past two fiscal years are as follows (dollars in thousands):

	Fiscal Year 1999	Fiscal Year 1998
Claims Liabilities, as of July 1.....	\$20,054	\$18,732
Incurred Claims.....	84,916	73,311
Claims Payments.....	(84,878)	(71,989)
Claims Liabilities, as of June 30.....	<u>\$20,092</u>	<u>\$20,054</u>

As of June 30, 1999, resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims exceeded the estimated claims liability amount by \$12.3 million,

Primary Government
Changes in Workers' Compensation Benefits Payable
and Compensation Adjustment Expenses Liability
Last Two Fiscal Years
(dollars in millions)

	Fiscal Year 1999	Fiscal Year 1998
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1.....	\$14,517	\$14,464
Incurred Compensation and Compensation Adjustment Benefits.....	1,110	1,628
Incurred Compensation and Compensation Adjustment Benefit Payments.....	(1,900)	(1,909)
Change in Liability Due to Decrease in Discount Rate.....	314	334
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30.....	<u>\$14,041</u>	<u>\$14,517</u>



NOTE 23 RISK FINANCING (Continued)

thereby, resulting in a funding surplus. The surplus is offset with a "Due to Other Funds" balance reported in the Agency Fund with corresponding "Due from Other Funds" balances reported in the paying funds.

NOTE 24 TOBACCO SETTLEMENT

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

Under the MSA, the base payments to the states are estimated to total \$206 billion through 2025. Ohio's share of the base payments through 2025 is estimated to be approximately \$9.87 billion.

While Ohio's share of the base payments will not change over time, the amount of the annual payment is subject to a number of adjustments including, among others, an inflation adjustment and a volume adjustment. Some of these adjustments (for example, inflation) should contribute to an increase in the payments and others (for example, volume) may decrease the payments. But the net effect of these adjustment factors on future payments is very uncertain, which makes it difficult to speculate on how different Ohio's real payments will be from the estimated payments.

NOTE 25 SUBSEQUENT EVENTS

A. Debt Issuances

Subsequent to June 30, 1999 (December 31, 1998 for the Ohio Water Development Authority), the State issued major debt as detailed in the table on the following page.

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.

In addition to a share of the base payments, Ohio will receive an estimated \$239.5 million from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the \$8.6 billion fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

The total that Ohio is estimated to receive under the MSA is \$10.1 billion. The estimated amount of future payments is as follows (dollars in thousands):

Year Ending June 30,	MSA Base Payments	Payments from Strategic Contribution Fund	Total Estimated Payments
2000.....	\$ 443,893	\$ —	\$ 443,893
2001.....	348,780	—	348,780
2002.....	418,783	—	418,783
2003.....	422,746	—	422,746
2004.....	352,827	—	352,827
Thereafter...	7,882,393	239,500	8,121,893
Total.....	<u>\$9,869,422</u>	<u>\$239,500</u>	<u>\$10,108,922</u>

No payments under the settlement have been received through June 30, 1999, and no balances related to the settlement have been included in the State's financial statements for the fiscal year ended June 30, 1999.

On November 2, 1999, Ohio voters approved a constitutional amendment (Sections 2(n) and 17 of Article VIII) that authorizes the State to issue general obligation bonds to finance building construction, maintenance, and repairs at Ohio's elementary and



NOTE 25 SUBSEQUENT EVENTS (Continued)

**Debt Issuances
Subsequent to June 30, 1999**
(dollars in thousands)

Organization/Issue	Date of Bond	Net Interest Cost	Amount	Type of Debt
Primary Government:				
Ohio Public Facilities Commission:				
Higher Education Capital Facilities Bonds, Series II-1999A.....	July 27, 1999	4.8%	\$100,000	Special Obligation
Ohio Building Authority:				
State Facilities Bonds – Adult Correctional Building Fund Project, 1999 Series A.....	July 1, 1999	5.3%	150,000	Special Obligation
Treasurer of State:				
Infrastructure Improvement Bonds, Series 1999.....	September 15, 1999	5.5%	120,000	General Obligation
Major New State Infrastructure Bonds, Series 1999-1.....	August 1, 1999	4.7%	20,000	Revenue
			140,000	
Total Primary Government.....			\$390,000	
Component Units:				
Ohio Water Development Authority				
Water Development Revenue Notes – Series 1999-A.....	May 1, 1999	Variable Rate—4.05% Initial Rate	\$ 13,205	Revenue
University of Akron				
General Receipts Bonds, Series 1999.....	August 31, 1999	5.7%	131,320	Revenue
Total Component Units.....			\$144,525	

secondary schools and at state-supported and state-assisted institutions of higher education.

The amendment allows the Ohio General Assembly to issue bonds, without requiring a vote of the citizenry, if the cost of paying debt service (principal and interest) on all outstanding State bonds is equal to no more than five percent of the total State's estimated revenues for the General Revenue Fund (a budgetary fund) and from net lottery proceeds during the fiscal year in which the obligations are to be issued. The amendment permits net lottery proceeds to only be used to pay off bonds issued for projects at primary and secondary schools. The amendment also allows the Ohio General Assembly to waive the five percent debt limit on a particular issue or amount of the obligations if three-fifths of the Ohio House and Ohio Senate vote to do so.

B. Child Support Enforcement Tracking System

The U.S. Department of Health and Human Services imposed a financial penalty on the State for not having the statewide computerized Child Support Enforcement Tracking System operational by October 1, 1997. Ohio has agreed to accept an alternative penalty, as provided by the Child Performance and Incentive Act of 1998. Under the alternative penalty, \$14.6 million was considered payable, as of June 30, 1999, and has been included in the inter-governmental payable balance for the General Fund.

Since the system was not operational by October 1, 1999, the State could face an additional federal penalty of \$18.7 million; however, 90 percent of this amount would be refunded to the State, if the system becomes operational by October 1, 2000.



NOTE 25 SUBSEQUENT EVENTS (Continued)

**C. Workers' Compensation Enterprise Fund —
Premium Dividend Credit**

On October 21, 1999, the Bureau of Workers' Compensation (BWC) Oversight Commission approved a one-time, 75 percent dividend credit for public employers. The dividend credit approximating \$140 million will be reflected in public employers' bills in January 2000.

In addition, private employers will also receive a three-percent average rate reduction totaling \$40 million, as reflected in the bills they receive in December 1999. The BWC Oversight Commission approved this rate reduction in March 1999.

D. Deferred Prize Payments

Effective July 1, 1999, the Ohio Lottery Commission allows annuity lottery prize winners the option to cash out their remaining deferred prize payments at a discounted lump-sum. This option expires December 31, 1999.

E. Tobacco Settlement

On November 12, 1999, the Master Settlement Agreement, which is discussed in NOTE 24, reached state-specific finality status when the State of Virginia formally approved its acceptance of the settlement. Under the terms of the agreement, tobacco industry payments to the states could not begin until at least 80 percent received court approval for their settlements.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



YEAR 2000 ISSUES

The Year 2000 issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in fiscal year 1999 and beyond.

The following stages have been identified as necessary to implement a Year 2000-compliant system. Completion of these stages is not a guarantee that systems or equipment will be Year 2000-compliant.

Awareness Stage — In this first stage, an organization establishes a budget and project plan (for example, a timeline or chart noting major tasks and due dates) for dealing with the Year 2000 issue.

Assessment Stage — While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components or, through a risk analysis, identify only mission-critical systems and equipment — systems and equipment critical to conducting operations.

Remediation Stage — During this stage, an organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to address

Year 2000 system or equipment issues, and the required changes are made.

Validation/Testing Stage — At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

Primary Government

To address Year 2000 issues, the State of Ohio established the Year 2000 Competency Center within the Department of Administrative Services. The Center's mission is to lead, support, and facilitate achievement of Year 2000 compliance throughout the primary government to ensure uninterrupted service to Ohio's citizens.

As summarized in the table below, the Year 2000 Competency Center has identified the stages under which the following computer systems critical to conducting State operations fall, as of June 30, 1999. The stage identified for each system is the stage the respective State agency was in the process of completing at year-end. As of June 30, 1999, all of the primary government's mission-critical systems had completed the awareness and assessment stages.

Stage/System	Description of System
Remediation Stage	
Board of Regents'	
Grants and Scholarships System.....	System processes and accounts for grants and scholarships to students.
Department of Administrative Services'	
State Payroll System.....	System processes and accounts for payroll transactions for State agencies.
Department of Rehabilitation and Correction's	
Prison Security System.....	System provides security at the 31 State correctional facilities.
Validation/Testing Stage	
Department of Administrative Services'	
Fleet Management System.....	System tracks inventory, maintenance costs, and utilization of State-owned vehicles.
Department of Education's	
School Finance System.....	System tracks the distribution of education program funds to school districts, county boards, and institutions.
Department of Human Services'	
Medicaid Management Information System.....	System processes all Medicaid claims for payment to medical service providers.
Support Enforcement Tracking System.....	System accounts for the collection and distribution of child support payments in Ohio.
Treasurer of State's	
AS400-Warrant Processing – Redemptions.....	System tracks daily settlements with warrant-clearance banks and provides journals for reconciliation of redeemed State warrants.



YEAR 2000 ISSUES (Continued)

The Year 2000 Competency Center identified the following systems as completing the validation/testing stage, as of June 30, 1999.

System	Description of System
Auditor of State's Warrant-Writing System.....	System writes warrants for State payroll, tax refunds, Department of Human Services payments, and payments to vendors for equipment, products, and services.
Board of Regent's' Funding System.....	System allocates funding to State-assisted higher education institutions.
Bureau of Employment Services': Unemployment Compensation Tax System.....	System accounts for employer unemployment tax assessments and payments.
Unemployment Compensation Benefits Delivery System.....	System accounts for unemployment benefit payments
Department of Administrative Services' Fixed Asset Management System.....	System supports the management of State-owned fixed assets with data input from State agencies
Department of Commerce's Unclaimed Funds System.....	System tracks the consolidation, safekeeping, and accounting of escheat property derived from inactive accounts in financial institutions and other companies.
Department of Health's Women, Infants and Children (WIC) System.....	System processes payments for WIC program participants.
Department of Human Services' Client Registry Information-Enhanced System...	System supports the issuing of food stamps and other public assistance benefits to eligible recipients in Ohio.
Department of Public Safety's: Cashier's System.....	System accounts for the collection of motor vehicle registration and operator license fees.
Law Enforcement Automated Data System....	System maintains data for remote access by law enforcement officials.
Tax Distribution System.....	System tracks the distribution of motor vehicle registration and license fees to Ohio's counties.
Department of Transportation's: Appropriations Accounting System.....	System tracks and controls costs, budget, and allocations for transportation projects.
Construction Management System.....	System accounts for highway construction project progress and payments.
Current Billing System.....	System generates the billing to the federal government for reimbursement of highway construction costs.
Office of Budget and Management's Central Accounting System.....	System performs and tracks all State agency budget and accounting activities, such as, appropriations, allotments, payments, payroll, and revenue.
Department of Taxation's Integrated Tax Administration System....	System accounts for collections from various State taxes, including personal income tax, sales tax, and corporation franchise tax.
Treasurer of State's AS400-Cashier's Processing.....	System accounts for State agency deposits in the State Treasury

In addition to the preceding disclosures on the mission-critical systems, which the Year 2000 Competency Center identified, the following organizations made disclosures on Year 2000 issues affecting their mission-critical systems in their respective separately issued financial reports.

- As of June 30, 1999, the Ohio Building Authority had completed the awareness, assessment, remediation, and validation/testing stages for its Fundware operating software, which controls the Authority's data files and reporting capabilities.

- The Bureau of Workers' Compensation had completed the awareness, assessment, and remediation stages for all of its mission-critical systems. As of June 30, 1999, the Bureau was engaged in the validation/testing stage for its Actuarial System and Rates System. As of its fiscal year-end, the Bureau had completed the validation/testing stage for its Claims Management System, Payments System, Employer Policies and Premiums System, and Investments System.



YEAR 2000 ISSUES (Continued)

- As of June 30, 1999, the Ohio Lottery Commission had completed the awareness, assessment, remediation, and validation/testing stages for its On-Line Gaming System, Instant Ticket Gaming System, and Administrative Support System.
- The State Highway Patrol Retirement System (SHPRS) had completed the awareness and assessment stages for the systems listed below by its fiscal year-end and was in the following stages of work in process, as of December 31, 1998.

SHPRS System	Stage
Benefit	Remediation
Financial Reporting	Remediation
Investment Reporting	Validation/Testing
Member	Validation/Testing

- STAROhio, through the Office of the Treasurer of State, STAROhio's investment adviser and administrator, had completed an inventory of STAROhio's computer systems. The inventory included Carnegie Capital Management Company, STAROhio's co administrator, and Provident Bank, STAROhio's custodian and transfer agent. STAROhio reported that the Treasurer's portfolio management system, Provident Bank's transfer agency system, the Federal Reserve Bank's wire system, and Carnegie Capital's portfolio and dividend accounting system are critical to conducting operations.

Carnegie Capital Management Company contracted with Analysts International to upgrade its portfolio and dividend accounting system, which was in the testing and validation stage, as of June 30, 1999.

As of June 30, 1999, the primary government had contractual commitments totaling approximately \$142.9 million to make computer systems and other equipment Year 2000-compliant.

The primary government's Year 2000 remediation efforts have been aimed primarily at ensuring unimpeded and uninterrupted operation, including tax collections, investment activities, and timely payment of its obligations. However, because of the unprecedented nature of the Year 2000 issues, the effects and the success of the primary government's remediation efforts cannot be fully determinable until the Year 2000 arrives. Consequently, management cannot assure that the primary government will be Year 2000 ready, that its remediation efforts will be successful in whole or in part, or that parties with whom the primary government does business will be Year 2000 ready.

Major Discretely Presented Component Units

The Ohio Water Development Authority disclosed that it had completed the awareness and assessment stages for its mission-critical systems by its fiscal year-end of December 31, 1998. The Authority also reported it had \$155 thousand committed, as of December 31, 1998, to make its computer systems Year 2000-compliant.

As of June 30, 1999, the Ohio State University disclosed that it had not completed the awareness stage for two of its 64 mission-critical systems while the remaining 62 systems were in varying stages of work in process beyond the awareness stage. As of June 30, 1999, the University reported no significant contractual agreements with respect to making its computer systems Year 2000-compliant.

As of June 30, 1999, the University of Cincinnati disclosed that it completed the awareness, assessment, and remediation stages for all of its mission-critical systems, and it had contractual commitments totaling \$95 thousand to make its computer systems Year 2000-compliant.

Additional information on Year 2000 issues for each of the above discretely presented major component units can be found in their respective separately issued financial reports.

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**SUPPLEMENTARY
SCHEDULES OF
EXPENDITURES OF
FEDERAL AWARDS**

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SUMMARIZED BY STATE AGENCY
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY

Ohio Department of Human Services.....	\$ 5,159,402,291
Ohio Bureau of Employment Services.....	952,782,740
Ohio Department of Education.....	823,643,870
Ohio Department of Transportation.....	704,553,406
Ohio Department of Mental Retardation and Developmental Disabilities.....	353,021,292
Ohio Environmental Protection Agency.....	305,612,261
Ohio Department of Health.....	266,997,297
Ohio Department of Development.....	210,283,434
Ohio Rehabilitation Services Commission.....	175,657,086
Ohio Department of Mental Health.....	152,154,911
Ohio Department of Aging.....	137,293,502
Ohio Department of Alcohol and Drug Addiction Services.....	84,422,792
Ohio Department of Public Safety.....	43,285,031
Ohio Office of Criminal Justice Services.....	29,545,834
Ohio Department of Rehabilitation and Correction.....	22,083,794
Ohio Department of Natural Resources.....	20,466,636
Ohio Adjutant General.....	17,926,693
Ohio Office of Information, Learning and Technology.....	16,736,049
Ohio Attorney General's Office.....	16,583,508
Ohio Department of Youth Services.....	11,040,386
Ohio Veterans' Home.....	6,676,187
Ohio Department of Agriculture.....	6,176,936
Ohio Library Board.....	4,885,536
Ohio Board of Regents.....	3,663,563
Ohio Court of Claims.....	2,720,500
Ohio Legal Rights Service.....	2,227,595
Ohio Civil Rights Commission.....	2,112,352
Ohio Department of Administrative Services.....	1,431,142
Ohio Department of Commerce.....	1,356,299
Public Utilities Commission of Ohio.....	1,204,983
Ohio School for the Blind.....	1,083,183
Ohio Arts Council.....	915,500
Ohio School for the Deaf.....	627,495
Ohio Department of Insurance.....	545,776
Ohio Judiciary/Supreme Court.....	472,430
Ohio Department of Taxation.....	57,462
Ohio Public Defender Commission.....	24,550
Ohio Student Aid Commission.....	5,566
TOTAL EXPENDITURES.....	\$ 9,539,679,868

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Adjutant General

U.S. Department of Defense		
12.401	National Guard Military Operations and Maintenance (O&M) Projects.....	\$ 17,926,693
	Total U.S. Department of Defense.....	\$ 17,926,693
	Total Ohio Adjutant General.....	\$ 17,926,693

Ohio Department of Administrative Services

U.S. General Services Administration		
39.003	Donation of Federal Surplus Personal Property.....	\$ 1,388,878
	Total U.S. General Services Administration.....	\$ 1,388,878
U.S. Department of Energy		
81.041	State Energy Program.....	\$ 42,264
	Total U.S. Department of Energy.....	\$ 42,264
	Total Ohio Department of Administrative Services.....	\$ 1,431,142

Ohio Department of Aging

U.S. Department of Agriculture		
10.570	Nutrition Program for the Elderly (Commodities).....	\$ 5,019,301
	Total U.S. Department of Agriculture.....	\$ 5,019,301
U.S. Department of Labor		
17.235	Senior Community Service Employment Program.....	\$ 3,797,502
	Total U.S. Department of Labor.....	\$ 3,797,502
U.S. Department of Health and Human Services		
93.041	Special Programs for the Aging -- Title VII, Chapter 3 -- Programs for Prevention of Elder Abuse, Neglect, and Exploitation.....	\$ 167,322
93.042	Special Programs for the Aging -- Title VII, Chapter 2 -- Long Term Care Ombudsman Services for Older Individuals.....	209,599
93.043	Special Programs for the Aging -- Title III, Part F -- Disease Prevention and Health Promotion Services.....	459,663
93.044	Special Programs for the Aging -- Title III, Part B -- Grants for Supportive Service and Senior Centers.....	13,855,685
93.045	Special Programs for the Aging -- Title III, Part C -- Nutrition Services.....	17,483,605
93.046	Special Programs for the Aging -- Title III, Part D -- In-Home Services for Frail Older Individuals.....	317,595
93.048	Special Programs for the Aging -- Title IV -- Training, Research and Discretionary Projects and Programs.....	50,000
93.568	Low-Income Home Energy Assistance.....	335,601
93.778	Medical Assistance Program.....	91,894,028
93.779	Health Care Financing Research, Demonstrations and Evaluations.....	47,242
93.951	Demonstration Grants to States with Respect to Alzheimer's Disease.....	88,779
	Total U.S. Department of Health and Human Services.....	\$ 124,909,119
Corporation for National and Community Service		
94.003	State Commissions.....	\$ 360,733
94.004	Learn and Serve America -- School and Community Based Programs.....	157,124
94.006	AmeriCorps.....	2,801,788
94.007	Planning and Program Development Grants.....	85,967
94.009	Training and Technical Assistance.....	161,968
	Total Corporation for National and Community Service.....	\$ 3,567,580
	Total Ohio Department of Aging.....	\$ 137,293,502

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Department of Agriculture

U.S. Department of Agriculture		
10	Cooperative Pest Recordkeeping Contract.....	\$ 16,404
10.025	Plant and Animal Disease, Pest Control, and Animal Care.....	59,612
10.071	Federal-State Cooperation in Warehouse Examination Agreement.....	25,450
10.163	Market Protection and Promotion.....	538,373
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection.....	4,693,123
10.664	Cooperative Forestry Assistance.....	189,446
10.769	Rural Development Grants.....	125,000
	Total U.S. Department of Agriculture.....	<u>\$ 5,647,408</u>

U.S. Environmental Protection Agency		
66.700	Consolidated Pesticide Enforcement Cooperative Agreements.....	\$ 403,157
	Total U.S. Environmental Protection Agency.....	<u>\$ 403,157</u>

U.S. Department of Health and Human Services		
93	Food Sanitation Inspection Contract.....	\$ 115,371
93	Tissue Residue Contract.....	11,000
	Total U.S. Department of Health and Human Services.....	<u>\$ 126,371</u>

Total Ohio Department of Agriculture..... \$ 6,176,936

Ohio Department of Alcohol and Drug Addiction Services

U.S. Department of Justice		
16.579	Byrne Formula Grant.....	\$ 8,380
16.727	Combating Underage Drinking.....	257,174
	Total U.S. Department of Justice.....	<u>\$ 265,554</u>

U.S. Department of Education		
84.186	Safe and Drug-Free Schools and Communities -- State Grants.....	\$ 4,265,033
	Total U.S. Department of Education.....	<u>\$ 4,265,033</u>

U.S. Department of Health and Human Services		
93	Federal Administration Reimbursement Fund.....	\$ 726,838
93	State Assessment Study.....	4,374
93.102	Demonstration Grants for Residential Treatment for Women and Their Children.....	305,868
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities.....	3,095,833
93.561	Job Opportunities and Basic Skills Training.....	19,802
93.778	Medical Assistance Program.....	11,927,991
93.959	Block Grants for Prevention and Treatment of Substance Abuse.....	63,811,499
	Total U.S. Department of Health and Human Services.....	<u>\$ 79,892,205</u>

Total Ohio Department of Alcohol and Drug Addiction Services..... \$ 84,422,792

Ohio Arts Council

National Foundation on the Arts and the Humanities		
45.025	Promotion of the Arts -- Partnership Agreements.....	\$ 915,500
	Total National Foundation on the Arts and the Humanities.....	<u>\$ 915,500</u>

Total Ohio Arts Council..... \$ 915,500

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Attorney General's Office

U.S. Department of Justice		
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis.....	\$ 361,039
16.554	National Criminal History Improvement Program.....	776
16.560	Justice Research, Development, and Evaluation Project Grants.....	171,583
16.575	Crime Victim Assistance.....	12,187,246
16.579	Byrne Formula Grant Program.....	1,656,750
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program.....	2,259
16.588	Violence Against Women Formula Grants.....	2,021
16.598	State Identification Systems Grant Program.....	172,728
	Total U.S. Department of Justice.....	<u>\$ 14,554,402</u>

U.S. Department of Health and Human Services		
93.775	State Medicaid Fraud Control Units.....	\$ 2,029,106
	Total U.S. Department of Health and Human Services.....	<u>\$ 2,029,106</u>

Total Ohio Attorney General's Office..... \$ 16,583,508

Ohio Civil Rights Commission

U.S. Department of Housing and Urban Development		
14.401	Fair Housing Assistance Program -- State and Local.....	\$ 236,590
	Total U.S. Department of Housing and Urban Development.....	<u>\$ 236,590</u>

U.S. Equal Employment Opportunity Commission		
30.002	Employment Discrimination -- State and Local Fair Employment Practices Agency Contracts.....	\$ 1,875,762
	Total U.S. Equal Employment Opportunity Commission.....	<u>\$ 1,875,762</u>

Total Ohio Civil Rights Commission..... \$ 2,112,352

Ohio Court of Claims

U.S. Department of Justice		
16.576	Crime Victim Compensation.....	\$ 2,720,500
	Total U.S. Department of Justice.....	<u>\$ 2,720,500</u>

Total Ohio Court of Claims..... \$ 2,720,500

Ohio Department of Commerce

U.S. Environmental Protection Agency		
66.804	State Underground Storage Tanks Program.....	\$ 152,654
66.805	Leaking Underground Storage Tank Trust Fund Program.....	1,203,645
	Total U.S. Environmental Protection Agency.....	<u>\$ 1,356,299</u>

Total Ohio Department of Commerce..... \$ 1,356,299

Ohio Office of Criminal Justice Services

U.S. Department of Justice		
16.523	Juvenile Accountability Incentive Block Grants.....	\$ 3,068,683
16.540	Juvenile Justice and Delinquency Prevention -- Allocation to States.....	2,715,897
16.548	Title V -- Delinquency Prevention Program.....	767,356
16.549	Part E -- State Challenge Activities.....	15,185
16.550	State Justice Statistics Program for Statistical Analysis Centers.....	37,449
16.554	National Criminal History Improvement Program (NCHIP).....	1,091,106
16.560	Justice Research, Development, and Evaluation Project Grants.....	74,992
16.579	Byrne Formula Grant Program.....	14,920,367
16.588	Violence Against Women Formula Grants.....	5,384,260
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program.....	277,548

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Office of Criminal Justice Services (Continued)

U.S. Department of Justice (Continued)		
16.592	Local Law Enforcement Block Grants Program.....	941,870
16.593	Residential Substance Abuse Treatment for State Prisoners.....	251,121
	Total U.S. Department of Justice.....	<u>\$ 29,545,834</u>
	Total Ohio Office of Criminal Justice Services.....	<u>\$ 29,545,834</u>

Ohio Department of Development

U.S. Department of Commerce		
11.307	Economic Adjustment Assistance.....	\$ 81,373
	Total U.S. Department of Commerce.....	<u>\$ 81,373</u>

U.S. Department of Housing and Urban Development

14.182	Lower Income Housing Assistance Program -- Section 8 Moderate Rehabilitation.....	\$ 54,081,467
14.228	Community Development Block Grants/State's Program.....	54,069,003
14.231	Emergency Shelter Grants Program.....	2,962,429
14.235	Supportive Housing Program.....	201,723
14.238	Shelter Plus Care.....	135,100
14.239	HOME Investment Partnerships Program.....	7,749,251
14.241	Housing Opportunities for Persons with AIDS.....	910,893
	Total U.S. Department of Housing and Urban Development.....	<u>\$ 120,109,866</u>

U.S. Department of Labor

17.249	Employment Services and Job Training -- Pilot and Demonstration Program..	\$ 52,160
	Total U.S. Department of Labor.....	<u>\$ 52,160</u>

Appalachian Regional Commission

23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects.....	\$ 154,471
	Total Appalachian Regional Commission.....	<u>\$ 154,471</u>

U.S. Small Business Administration

59	Small Business Export and Trade.....	\$ 4,000
59.037	Small Business Development Center.....	3,077,699
	Total U.S. Small Business Administration.....	<u>\$ 3,081,699</u>

U.S. Department of Energy

81	Petroleum Violation Escrow Funds.....	\$ 5,533,471
81.039	National Energy Information Center.....	2,145
81.041	State Energy Program.....	1,584,057
81.042	Weatherization Assistance for Low-Income Persons.....	6,413,302
81.086	Conservation Research and Development.....	3,413
81.105	National Industrial Competitiveness through Energy, Environment, and Economics.....	324,826
81.62X-SZ236V	Energy Efficiency in Schools.....	45,382
	Total U.S. Department of Energy.....	<u>\$ 13,906,596</u>

U.S. Department of Health and Human Services

93.568	Low-Income Home Energy Assistance.....	\$ 52,140,360
93.569	Community Services Block Grant.....	20,599,596
93.571	Community Services Block Grant Discretionary Award -- Community Food and Nutrition.....	157,313
	Total U.S. Department of Health and Human Services.....	<u>\$ 72,897,269</u>

Total Ohio Department of Development..... \$ 210,283,434

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Ohio Department of Education

U.S. Department of Agriculture		
10.550	Food Distribution.....	\$ 24,830,750
10.553	School Breakfast Program.....	27,935,431
10.555	National School Lunch Program.....	140,934,094
10.556	Special Milk Program for Children.....	941,364
10.558	Child and Adult Care Food Program.....	45,091,144
10.559	Summer Food Service Program for Children.....	4,324,759
10.560	State Administrative Expenses for Child Nutrition.....	3,070,765
10.564	Nutrition Education and Training Program.....	127,421
10.574	Team Nutrition Grants.....	22,025
	Total U.S. Department of Agriculture.....	<u>\$ 247,277,753</u>

U.S. Department of Defense

12.630	Basic, Applied, and Advanced Research in Science and Engineering.....	\$ 32,385
	Total U.S. Department of Defense.....	<u>\$ 32,385</u>

U.S. Department of Labor

17.249	Employment Services and Job Training -- Pilot and Demonstration Programs.	\$ 17,315,625
17.250	Job Training Partnership Act.....	3,061,355
	Total U.S. Department of Labor.....	<u>\$ 20,376,980</u>

U.S. Appalachian Regional Commission

23.002	Appalachian Area Development.....	\$ 80,673
	Total U.S. Appalachian Regional Commission.....	<u>\$ 80,673</u>

U.S. Department of Veterans Affairs

64.124	All-Volunteer Force Educational Assistance.....	\$ 513,507
	Total U.S. Department of Veterans Affairs.....	<u>\$ 513,507</u>

U.S. Department of Education

84.002	Adult Education -- State Grant Program.....	\$ 11,959,234
84.010	Title I Grants to Local Educational Agencies.....	297,852,915
84.011	Migrant Education -- Basic State Grant Program.....	2,094,175
84.027	Special Education -- Grants to States.....	109,658,305
84.029	Special Education -- Personnel Development and Parent Training.....	95,888
84.048	Vocational Education -- Basic Grants to States.....	40,880,704
84.158	Secondary Education and Transitional Services for Youth with Disabilities.....	246,037
84.162	Immigrant Education.....	347,842
84.173	Special Education -- Preschool Grants.....	10,971,139
84.185	Byrd Honors Scholarships.....	1,606,090
84.186	Safe and Drug-Free Schools and Communities -- State Grants.....	16,604,974
84.194	Bilingual Education Support Services.....	143,195
84.196	Education for Homeless Children and Youth.....	1,063,547
84.206	Javits Gifted and Talented Students Education Grant Program.....	186,887
84.213	Even Start -- State Educational Agencies.....	4,042,022
84.215	Fund for the Improvement of Education.....	220,079
84.216	Capital Expenses.....	2,122,667
84.243	Tech-Prep Education.....	4,284,723
84.248	Demonstration Projects for the Integration of Vocational and Academic Learning.....	15,382
84.276	Goals 2000 -- State and Local Education Systemic Improvement Grants.....	21,290,107
84.281	Eisenhower Professional Development State Grants.....	11,694,826
84.282	Charter Schools.....	807,410
84.298	Innovative Education Program Strategies.....	11,980,753
84.314	Even Start -- Statewide Family Literacy Program.....	41,967

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Ohio Department of Education (Continued)

U.S. Department of Education (Continued)		
84.323	Special Education -- State Program Improvement Grants for Children with Disabilities.....	280,539
84.332	Comprehensive School Reform Demonstration Program.....	2,256,445
	Total U.S. Department of Education.....	<u>\$ 552,747,852</u>
U.S. Department of Health and Human Services		
93.283	Centers for Disease Control and Prevention -- Investigations and Technical Assistance.....	\$ 37,382
93.561	Job Opportunities and Basic Skills Training.....	87,683
93.575	Child Care and Development Block Grant.....	823,202
93.600	Head Start.....	204,731
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.....	629,787
	Total U.S. Department of Health and Human Services.....	<u>\$ 1,782,785</u>
Corporation for National and Community Service		
94.004	Learn and Serve America -- School and Community Based Programs.....	\$ 831,935
	Total Corporation for National and Community Service.....	<u>\$ 831,935</u>
	Total Ohio Department of Education.....	<u>\$ 823,643,870</u>

Ohio Bureau of Employment Services

U.S. Department of Labor		
17.002	Labor Force Statistics.....	\$ 2,636,432
17.203	Labor Certification for Alien Workers.....	317,395
17.207	Employment Service.....	37,169,058
17.225	Unemployment Insurance.....	793,657,775
17.245	Trade Adjustment Assistance -- Workers.....	6,106,480
17.246	Employment and Training Assistance -- Dislocated Workers.....	32,256,337
17.249	Employment Services and Job Training -- Pilot and Demonstration Programs.....	306,916
17.250	Job Training Partnership Act.....	71,588,589
17.504	Consultation Agreements.....	1,339,702
17.801	Disabled Veterans' Outreach Program (DVOP).....	3,683,806
17.802	Veteran's Employment Program.....	5,000
17.804	Local Veterans' Employment Representative Program.....	3,715,250
	Total U.S. Department of Labor.....	<u>\$ 952,782,740</u>
	Total Ohio Bureau of Employment Services.....	<u>\$ 952,782,740</u>

Ohio Environmental Protection Agency

U.S. Department of Defense		
12	FUSRAP Oversight: Diamond Magnesium Site and Luckey Beryllium Site.....	\$ 34,510
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services.....	479,999
	Total U.S. Department of Defense.....	<u>\$ 514,509</u>
U.S. Department of Transportation		
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants.....	\$ 210,015
	Total U.S. Department of Transportation.....	<u>\$ 210,015</u>
U.S. Environmental Protection Agency		
66.454	Water Quality Management Planning.....	\$ 403,053
66.458	Capitalization Grants for State Revolving Funds.....	281,721,491

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Ohio Environmental Protection Agency (Continued)

U.S. Environmental Protection Agency (Continued)		
66.460	Nonpoint Source Implementation Grants.....	2,142,862
66.461	Wetlands Protection -- Development Grants.....	82,390
66.463	National Pollutant Discharge Elimination System Related State Program Grants.....	8,668
66.467	Wastewater Operator Training Grant Program (Technical Assistance).....	64,373
66.468	Capitalization Grants for Drinking Water State Revolving Funds.....	94,797
66.470	Hardship Grants Program for Rural Communities.....	33,168
66.500	Environmental Protection -- Consolidated Research.....	49,502
66.605	Performance Partnership Grants.....	12,783,178
66.606	Surveys, Studies, Investigations and Special Purpose Grants.....	2,802,629
66.708	Pollution Prevention Grants Program.....	75,414
66.802	Superfund State Site -- Specific Cooperative Agreements.....	2,579,344
66.810	CEPP Technical Assistance Grants Program.....	114,799
	Total U.S. Environmental Protection Agency.....	<u>\$ 302,955,668</u>
U.S. Department of Energy		
81	Cost Recovery Grants.....	\$ 713,997
81	Agreement in Principle	1,218,072
	Total U.S. Department of Energy.....	<u>\$ 1,932,069</u>
	Total Ohio Environmental Protection Agency.....	<u>\$ 305,612,261</u>
Ohio Department of Health		
U.S. Department of Agriculture		
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children.....	\$ 168,002,593
10.559	Summer Food Service Program for Children.....	22,946
10.572	WIC Farmers' Market Nutrition Program (FMNP).....	228,922
	Total U.S. Department of Agriculture.....	<u>\$ 168,254,461</u>
U.S. Department of Housing and Urban Development		
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing.....	\$ 1,111,899
	Total U.S. Department of Housing and Urban Development.....	<u>\$ 1,111,899</u>
U.S. Department of Justice		
16.579	Byrnc Formula Grant Program.....	\$ 38,023
	Total U.S. Department of Justice.....	<u>\$ 38,023</u>
U.S. Department of Labor		
17.005	Compensation and Working Conditions Data.....	\$ 23,845
	Total U.S. Department of Labor.....	<u>\$ 23,845</u>
U.S. Department of Transportation		
20.600	State and Community Highway Safety.....	\$ 14,870
	Total U.S. Department of Transportation.....	<u>\$ 14,870</u>
U.S. Environmental Protection Agency		
66.032	State Indoor Radon Grants.....	\$ 369,119
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements.....	12,864
66.707	TSCA Title IV State Lead Grants -- Certification of Lead-Based Paint Professionals.....	306,234
	Total U.S. Environmental Protection Agency.....	<u>\$ 688,217</u>
U.S. Department of Energy		
81.104	Technology Development for Environmental Management.....	\$ 234,737
	Total U. S. Department of Energy.....	<u>\$ 234,737</u>

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Ohio Department of Health (Continued)

U.S. Department of Education		
84.181	Special Education -- Grants for Infants and Families with Disabilities.....	\$ 12,189,128
	Total U.S. Department of Education.....	\$ 12,189,128
U.S. Consumer Product Safety Commission		
87.S01474435	Consumer Product Safety Commission.....	\$ 2,839
	Total U.S. Consumer Product Safety Commission.....	\$ 2,839
U.S. Department of Health and Human Services		
93	Ryan White - Cleveland Funds.....	\$ 200,000
93.A-98-07-384	Ohio Family Health Survey.....	33,197
93.05-9805-OH-5002	Clinical Laboratory Improvement Amendment.....	208,088
93.05-9905-OH-5002	Clinical Laboratory Improvement Amendment.....	470,711
93.110	Maternal and Child Health Federal Consolidated Programs.....	193,288
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity.....	874,616
93.130	Primary Care Services -- Resource Coordination and Development Primary Care Offices.....	238,712
93.161	Health Program for Toxic Substances and Disease Registry.....	302,191
93.197	Childhood Lead Poisoning Prevention Projects -- State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children.....	1,124,194
93.217	Family Planning -- Services.....	3,302,527
93.223-97-4192	FDA X-Ray Inspection.....	13,815
93.223-99-4434	Mammography Quality Standard Act Inspections.....	319,768
93.235	Abstinence Education.....	1,723,874
93.262	Occupational Safety and Health Research Grants.....	249,059
93.268	Immunization Grants.....	5,475,158
93.283	Centers for Disease Control and Prevention -- Investigations and Technical Assistance.....	1,224,621
93.556	Family Preservation and Support Services.....	332,994
93.563	Child Support Enforcement.....	2,177
93.777	State Survey and Certification of Health Care Providers and Suppliers.....	15,811,308
93.778	Medical Assistance Program.....	103,237
93.913	Grants to States for Operation of Offices of Rural Health.....	35,832
93.917	HIV Care Formula Grants.....	8,227,691
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs.....	3,709,521
93.940	HIV Prevention Activities -- Health Department Based.....	4,566,799
93.944	Human Immunodeficiency Virus(HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance.....	445,741
93.965	Coal Miners Respiratory Impairment Treatment Clinics and Services.....	352,761
93.977	Preventive Health Services -- Sexually Transmitted Diseases Control Grants.....	1,990,140
93.978	Preventive Health Services -- Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants.....	46,950
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation Surveillance Systems.....	361,924
93.991	Preventative Health and Health Services Block Grant.....	8,756,772
93.994	Maternal and Child Health Services Block Grant to the States.....	23,007,642
	Total U.S. Department of Health and Human Services.....	\$ 83,705,308
Social Security Administration		
96.0600-98-32688	Vital Statistics -- Social Security Contract.....	\$ 121,860
96.0600-98-32782	Vital Statistics -- Social Security Enumeration Contract.....	261,853
96.200-95-7236	Vital Statistics -- Health Statistics.....	332,799
96.200-98-7265	Vital Statistics -- National Death Index.....	17,458
	Total Social Security Administration.....	\$733,970
	Total Ohio Department of Health.....	\$ 266,997,297

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Ohio Department of Human Services

U.S. Department of Agriculture		
10.551	Food Stamps.....	\$ 543,358,917
10.561	State Administrative Matching Grants for Food Stamp Program.....	69,143,207
10.568	Emergency Food Assistance (Administrative Costs).....	1,735,607
	Total U.S. Department of Agriculture.....	<u>\$ 614,237,731</u>

U.S. Department of Health and Human Services

93.554	Emergency Protection Grants - Substance Abuse.....	\$ 36,533
93.556	Family Preservation and Support Services.....	9,497,101
93.558	Temporary Assistance for Needy Families.....	329,666,870
93.563	Child Support Enforcement.....	124,381,197
93.566	Refugee and Entrant Assistance -- State Administered Programs.....	2,726,534
93.570	Community Services Block Grant - Discretionary Awards.....	61,799
93.575	Child Care and Development Block Grant.....	6,096,461
93.576	Refugee and Entrant Assistance -- Discretionary Grants.....	220,135
93.584	Refugee and Entrant Assistance -- Targeted Assistance.....	358,208
93.585	Empowerment Zones Program.....	1,224,554
93.590	Community-Based Family Resource and Support Grants.....	993,946
93.595	Welfare Reform Research, Evaluations, and National Studies.....	52,753
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund.....	115,072,510
93.597	Grants to States for Access and Visitation Programs.....	245,577
93.643	Children's Justice Grants to States.....	109,556
93.645	Child Welfare Services -- State Grants.....	9,341,295
93.647	Social Services Research and Demonstration.....	124,635
93.652	Adoption Opportunities.....	123,800
93.656	Temporary Child Care and Crisis Nurseries.....	172,620
93.658	Foster Care -- Title IV-E.....	188,618,170
93.659	Adoption Assistance.....	79,865,051
93.667	Social Services Block Grant.....	67,836,890
93.669	Child Abuse and Neglect State Grants.....	1,189,163
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters -- Grants to States and Indian Tribes.....	2,532,967
93.672	Community-Based Prevention Program.....	39,838
93.674	Independent Living.....	2,829,537
93.778	Medical Assistance Program.....	3,601,746,860
	Total U.S. Department of Health and Human Services.....	<u>\$ 4,545,164,560</u>

Total Ohio Department of Human Services..... \$ 5,159,402,291

Ohio Office of Information, Learning and Technology

U.S. Department of Education		
84.318	Technology Literacy Challenge Fund Grants.....	\$ 16,736,049
	Total U.S. Department of Education.....	<u>\$ 16,736,049</u>
	Total Ohio Office of Information, Learning and Technology.....	\$ 16,736,049

Ohio Department of Insurance

U.S. Department of Health and Human Services		
93.779	Health Care Financing Research, Demonstrations and Evaluations.....	\$ 545,776
	Total U.S. Department of Human Services.....	<u>\$ 545,776</u>
	Total Ohio Department of Insurance.....	\$ 545,776

Ohio Judiciary/Supreme Court

U.S. Department of Justice		
16.579	Byrne Formula Grant Program.....	\$ 179,206
16.585	Drug Court Discretionary Grant Program.....	1,784
	Total U.S. Department of Justice.....	<u>\$ 180,990</u>

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Ohio Judiciary/Supreme Court (Continued)

U.S. Department of Transportation		
20.600	State and Community Highway Safety.....	\$ 10,398
	Total U.S. Department of Transportation.....	<u>\$ 10,398</u>

U.S. Department of Health and Human Services		
93.586	State Court Improvement Program.....	\$ 281,042
	Total U.S. Department of Human Services.....	<u>\$ 281,042</u>
	Total Ohio Judiciary/Supreme Court.....	<u>\$ 472,430</u>

Ohio Legal Rights Service

U.S. Department of Education		
84.161	Rehabilitation Services - Client Assistance Program.....	\$ 360,034
84.240	Program of Protection and Advocacy of Individual Rights.....	343,189
	Total U.S. Department of Education.....	<u>\$ 703,223</u>

U.S. Department of Health and Human Services		
93.138	Protection and Advocacy for Individuals with Mental Illness.....	\$ 623,506
93.630	Developmental Disabilities Basic Support and Advocacy Grants.....	900,866
	Total U.S. Department of Health and Human Services.....	<u>\$ 1,524,372</u>
	Total Ohio Legal Rights Service.....	<u>\$ 2,227,595</u>

Ohio Library Board

National Foundation on the Arts and the Humanities		
45.310	State Library Program.....	\$ 4,101,117
	Total National Foundation on the Arts and the Humanities.....	<u>\$ 4,101,117</u>

U.S. Department of Education		
84.034	Library Services Construction Act/Library Improvement.....	\$ 369,483
84.035	Interlibrary Cooperation and Resource Sharing.....	127,595
84.154	Public Library Construction and Technology Enhancement.....	287,341
	Total U.S. Department of Education.....	<u>\$ 784,419</u>
	Total Ohio Library Board.....	<u>\$ 4,885,536</u>

Ohio Department of Mental Health

U.S. Department of Education		
84.002	Adult Education -- State Grant Program.....	\$ 95,794
84.034	Library Services Construction Act/Library Improvement.....	1,447
	Total U.S. Department of Education.....	<u>\$ 97,241</u>

U.S. Department of Health and Human Services		
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances.....	\$ 244,200
93.150	Projects for Assistance in Transition for Homelessness (PATH).....	617,417
93.667	Social Services Block Grant.....	8,833,150
93.778	Medical Assistance Program.....	132,764,878
93.958	Block Grants for Community Mental Health Services.....	9,437,451
	Total U.S. Department of Health and Human Services.....	<u>\$ 151,897,096</u>

Social Security Administration		
96.007	Social Security - Research and Demonstration.....	\$ 160,574
	Total Social Security Administration.....	<u>\$ 160,574</u>

	Total Ohio Department of Mental Health.....	<u>\$ 152,154,911</u>
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Ohio Department of Mental Retardation and Developmental Disabilities

U.S. Department of Education		
84.002	Adult Education -- State Grant Program.....	\$ 433,171
84.024	Early Education for Children with Disabilities.....	69,977
84.161	Rehabilitation Services -- Client Assistance Program.....	116,417
84.181	Special Education -- Grants for Infants and Families with Disabilities.....	148,459
	Total U.S. Department of Education.....	<u>\$ 768,024</u>

U.S. Department of Health and Human Services		
93.630	Developmental Disabilities Basic Support and Advocacy Grants.....	\$ 3,006,236
93.656	Temporary Child Care and Crisis Nurseries.....	47,195
93.667	Social Services Block Grant.....	12,157,675
93.778	Medical Assistance Program.....	336,635,005
	Total U.S. Department of Health and Human Services.....	<u>\$ 351,846,111</u>

Corporation for National and Community Service		
94.011	Foster Grandparent Program.....	\$ 407,157
	Total Corporation for National and Community Service.....	<u>\$ 407,157</u>

Total Ohio Department of Mental Retardation and Developmental Disabilities..... **\$ 353,021,292**

Ohio Department of Natural Resources

U.S. Department of Agriculture		
10.064	Forestry Incentives Program.....	\$ 6,200
10.069	Conservative Reserve Program.....	7,286
10.652	Forestry Research.....	6,500
10.664	Cooperative Forestry Assistance.....	885,767
	Total U.S. Department of Agriculture.....	<u>\$ 905,753</u>

U.S. Department of Commerce		
11.407	Interjurisdictional Fisheries Act of 1986.....	\$ 5,630
11.419	Coastal Zone Management Administration Awards.....	713,750
11.420	Coastal Zone Management Estuarine Research Reserves.....	166,697
	Total U.S. Department of Commerce.....	<u>\$ 886,077</u>

U.S. Department of the Interior		
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining.....	\$ 1,253,494
15.252	Abandoned Mine Land Reclamation (AMLR) Program.....	7,759,539
15.605	Sport Fish Restoration.....	3,681,757
15.611	Wildlife Restoration.....	2,665,215
15.615	Cooperative Endangered Species Conservation Fund.....	22,375
15.808	U.S. Geological Survey -- Research and Data Acquisition.....	186,081
15.916	Outdoor Recreation -- Acquisition, Development and Planning.....	192,113
	Total U.S. Department of the Interior.....	<u>\$ 15,760,574</u>

U.S. Department of Labor		
17.600	Mine Health and Safety Grants.....	\$ 96,571
	Total U.S. Department of Labor.....	<u>\$ 96,571</u>

U.S. Department of Transportation		
20.005	Boating Safety Financial Assistance.....	\$ 2,250,272
20.219	Recreational Trails Program.....	111,898
	Total U.S. Department of Transportation.....	<u>\$ 2,362,170</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Department of Natural Resources (Continued)

U.S. Environmental Protection Agency		
66.433	State Underground Water Source Protection.....	\$ 255,117
66.460	Nonpoint Source Implementation Grants.....	175,683
66.461	Wetlands Protection - Development Grants.....	24,691
	Total U.S. Environmental Protection Agency.....	<u>\$ 455,491</u>
	Total Ohio Department of Natural Resources.....	<u>\$ 20,466,636</u>

Ohio Public Defender Commission

U.S. Department of Justice		
16.579	Byrne Formula Grant Program.....	\$ 24,550
	Total U.S. Department of Justice.....	<u>\$ 24,550</u>
	Total Ohio Public Defender Commission.....	<u>\$ 24,550</u>

Ohio Department of Public Safety

U.S. Department of Justice		
16.554	National Criminal History Improvement Program (NCIIP).....	\$ 58,859
16.579	Byrne Formula Grant Program.....	15,475
	Total U.S. Department of Justice.....	<u>\$ 74,334</u>

U.S. Department of Energy		
81.104	Technology Development for Environmental Management.....	\$ 74,179
	Total U.S. Department of Justice.....	<u>\$ 74,179</u>

U.S. Department of Transportation		
20.217	Motor Carrier Safety	\$ 51,532
20.218	National Motor Carrier Safety	2,398,154
20.600	State and Community Highway Safety.....	7,111,182
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants.....	21,246
	Total U.S. Department of Transportation.....	<u>\$ 9,582,114</u>

Federal Emergency Management Agency		
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986.....	\$ 14,824
83.505	State Disaster Preparedness Grant.....	11,226
83.534	Emergency Management -- State and Local Assistance.....	3,468,606
83.535	Mitigation Assistance.....	109,272
83.543	Individual and Family Grants.....	3,702,844
83.544	Public Assistance Grants.....	20,278,863
83.545	Disaster Housing Program.....	1,865,824
83.548	Hazard Mitigation Grant.....	3,917,264
83.551	Project Impact - Building Disaster Resistant Communities.....	20,552
	Total Federal Emergency Management Agency.....	<u>\$ 33,389,275</u>

U.S. Department of Health and Human Services		
93.127	Emergency Medical Services for Children.....	\$ 155,750
93.141	EMS for Children Enhancement Grant.....	9,379
	Total U.S. Department of Health and Human Services.....	<u>\$ 165,129</u>
	Total Ohio Department of Public Safety.....	<u>\$ 43,285,031</u>

Public Utilities Commission of Ohio

U.S. Department of Transportation		
20.218	National Motor Carrier Safety.....	\$ 900,246
20.700	Pipeline Safety.....	250,042
	Total U.S. Department of Transportation.....	<u>\$ 1,150,288</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Public Utilities Commission of Ohio (Continued)

U.S. Department of Energy		
81.079	Regional Biomass Energy Programs	\$ 54,695
	Total U.S. Department of Energy.....	\$ 54,695
	Total Public Utilities Commission of Ohio.....	\$ 1,204,983

Ohio Board of Regents

U.S. Department of Education		
84.069	Leveraging Educational Assistance Partnership.....	\$ 1,012,607
84.243	Tech-Prep Education.....	109,586
84.281	Eisenhower Professional Development State Grants.....	2,021,513
	Total U.S. Department of Education.....	\$ 3,143,706
U.S. Department of Health and Human Services		
93.778	Medical Assistance Program.....	\$ 519,857
	Total U.S. Department of Health and Human Services.....	\$ 519,857
	Total Ohio Board of Regents.....	\$ 3,663,563

Ohio Department of Rehabilitation and Correction

U.S. Department of Agriculture		
10.553	School Breakfast Program.....	\$ 694,915
10.555	National School Lunch Program.....	872,655
	Total U.S. Department of Agriculture.....	\$ 1,567,570
U.S. Department of Justice		
16.572	State Criminal Alien Assistance Program.....	\$ 571,304
16.575	Crime Victim Assistance.....	66,000
16.579	Byrne Formula Grant Program.....	1,197,586
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program.....	5,718
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants.....	15,277,123
	Total U.S. Department of Justice.....	\$ 17,117,731
U.S. Department of Education		
84.002	Adult Education -- State Grant Program.....	\$ 990,085
84.013	Title I Program for Neglected and Delinquent Children.....	862,883
84.027	Special Education -- Grants to States.....	80,922
84.034	Public Library Services.....	12,002
84.048	Vocational Education -- Basic Grants to States.....	818,660
84.298	Innovative Education Program Strategies.....	9,691
84.331	Grants to States for Incarcerated Youth Offenders.....	624,250
	Total U.S. Department of Education.....	\$ 3,398,493
	Total Ohio Department of Rehabilitation and Correction.....	\$ 22,083,794

Ohio Rehabilitation Services Commission

U.S. Department of Education		
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States.....	\$ 110,254,383
84.128	Rehabilitation Services -- Service Projects.....	285,820
84.169	Independent Living -- State Grants.....	488,721
84.177	Rehabilitation Services -- Independent Living Services for Older Individuals Who Are Blind.....	170,959
84.187	Supported Employment Services for Individuals with Severe Disabilities.....	1,721,529
	Total U.S. Department of Education.....	\$ 112,921,412
U.S. Department of Health and Human Services		
93.234	Traumatic Brain Injury.....	\$ 38,298
	Total U.S. Department of Health and Human Services.....	\$ 38,298

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Rehabilitation Services Commission (Continued)

Social Security Administration		
96	Program Income for Rehabilitating Recipients of Social Security Income and Supplemental Security Income -- Vocational Rehabilitation Program (CFDA# 84.126).....	\$ 6,094,572
96.001	Social Security -- Disability Insurance	56,602,804
	Total Social Security Administration.....	<u>\$ 62,697,376</u>
	Total Ohio Rehabilitation Services Commission.....	<u>\$ 175,657,086</u>

Ohio School for the Blind

U.S. Department of Agriculture		
10.553	School Breakfast Program	\$ 8,880
10.555	National School Lunch Program.....	12,313
	Total U.S. Department of Agriculture.....	<u>\$ 21,193</u>
U.S. Department of Education		
84.027	Special Education -- Grants to States.....	\$ 1,034,836
84.186	Safe and Drug-Free Schools and Communities -- State Grants.....	949
	Total U.S. Department of Education.....	<u>\$ 1,035,785</u>
U.S. Department of Health and Human Services		
93.778	Medical Assistance Program.....	\$ 26,205
	Total U.S. Department of Health and Human Services.....	<u>\$ 26,205</u>
	Total Ohio School for the Blind.....	<u>\$ 1,083,183</u>

Ohio School for the Deaf

U.S. Department of Agriculture		
10.553	School Breakfast Program.....	\$ 50,957
	Total U.S. Department of Agriculture.....	<u>\$ 50,957</u>
U.S. Department of Education		
84.026	Media and Captioning Services for Individuals with Disabilities.....	\$ 2,000
84.027	Special Education -- Grants to States.....	484,986
84.186	Safe and Drug-Free Schools and Communities -- State Grants.....	1,786
84.276	Goals 2000 - State and Local Education Systemic Improvement Grant.....	66,431
84.298	Innovative Education Program Strategies.....	1,018
	Total U.S. Department of Education.....	<u>\$ 556,221</u>
U.S. Department of Health and Human Services		
93.778	Medical Assistance Program.....	\$ 20,317
	Total U.S. Department of Health and Human Services.....	<u>\$ 20,317</u>
	Total Ohio School for the Deaf.....	<u>\$ 627,495</u>

Ohio Student Aid Commission

U.S. Department of Education		
84.032	Federal Family Education Loans.....	\$ 5,566
	Total U.S. Department of Education.....	<u>\$ 5,566</u>
	Total Ohio Student Aid Commission.....	<u>\$ 5,566</u>

Ohio Department of Taxation

U.S. Department of Transportation		
20.205	Highway Planning and Construction.....	\$ 57,462
	Total U.S. Department of Transportation.....	<u>\$ 57,462</u>
	Total Ohio Department of Taxation.....	<u>\$ 57,462</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Department of Transportation

U.S. Department of Transportation		
20.106	Airport Improvement Program.....	\$ 305,615
20.205	Highway Planning and Construction.....	664,539,624
20.308	Local Rail Freight Assistance.....	268,985
20.500	Federal Transit -- Capital Improvement Grants.....	14,713,153
20.505	Federal Transit -- Metropolitan Planning Grants.....	2,563,016
20.507	Federal Transit -- Formula Grants.....	304,646
20.509	Formula Grants for Other Than Urbanized Areas.....	6,688,252
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities.....	1,734,848
20.600	State and Community Highway Safety.....	19,319
	Total U.S. Department of Transportation.....	<u>\$ 691,137,458</u>

Appalachian Regional Commission

23.003	Appalachian Development Highway System.....	\$ 13,015,819
23.008	Appalachian Local Access Roads.....	400,129
	Total Appalachian Regional Commission.....	<u>\$ 13,415,948</u>

Total Ohio Department of Transportation..... \$ 704,553,406

Ohio Veterans' Home

U.S. Department of Agriculture		
10.550	Food Distribution	\$ 447
	Total U.S. Department of Agriculture.....	<u>\$ 447</u>

U.S. Department of Veterans Affairs

64.005	Grants to States for Construction of State Home Facilities.....	\$ 45,437
64.014	Veterans State Domiciliary Care.....	1,253,220
64.015	Veterans State Nursing Home Care.....	5,377,083
	Total U.S. Department of Veterans Affairs.....	<u>\$ 6,675,740</u>

Total Ohio Veterans' Home..... \$ 6,676,187

Ohio Department of Youth Services

U.S. Department of Agriculture		
10.553	School Breakfast Program.....	\$ 867,893
10.555	National School Lunch Program.....	1,240,837
	Total U.S. Department of Agriculture.....	<u>\$ 2,108,730</u>

U.S. Department of Justice

16.540	Juvenile Justice and Delinquency Prevention -- Allocation to States.....	\$ 102,210
16.575	Crime Victim Assistance.....	63,071
16.579	Byrne Formula Grant Program.....	977,428
	Total U.S. Department of Justice.....	<u>\$ 1,142,709</u>

National Foundation on the Arts and the Humanities

45.301	Institute of Museum and Library Services -- General Operating Support.....	\$ 8,111
	Total National Foundation on the Arts and the Humanities.....	<u>\$ 8,111</u>

U.S. Department of Education

84.013	Title I Program for Neglected and Delinquent Children.....	\$ 922,127
84.027	Special Education -- Grants to States.....	122,304
84.048	Vocational Education -- Basic Grants to States.....	79,032
84.151	Chapter 2 -- State Block Grants.....	17,444
	Total U.S. Department of Education.....	<u>\$ 1,140,907</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY STATE AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

STATE AGENCY/FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Ohio Department of Youth Services (Continued)

U.S. Department of Health and Human Services		
93.658	Foster Care-Title IV-E.....	\$ 6,086,785
93.778	Medical Assistance Program.....	318,531
	Total U.S. Department of Health and Human Services.....	<u>\$ 6,405,316</u>
Corporation for National and Community Service		
94.006	AmeriCorps.....	\$ 234,613
	Total Corporation for National and Community Service.....	<u>\$ 234,613</u>
	Total Ohio Department of Youth Services.....	<u>\$ 11,040,386</u>
	TOTAL EXPENDITURES.....	<u>\$ 9,539,679,868</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SUMMARIZED BY FEDERAL AGENCY
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY

U.S. Department of Health and Human Services.....	\$ 5,423,776,242
U.S. Department of Agriculture.....	1,045,091,304
U.S. Department of Labor.....	977,129,798
U.S. Department of Education.....	710,493,059
U.S. Department of Transportation.....	704,524,775
U.S. Environmental Protection Agency.....	305,858,832
U.S. Department of Housing and Urban Development.....	121,458,355
U.S. Department of Justice.....	65,664,627
Social Security Administration.....	63,591,920
Federal Emergency Management Agency.....	33,389,275
U.S. Department of Defense.....	18,473,587
U.S. Department of Energy.....	16,244,540
U.S. Department of the Interior.....	15,760,574
U.S. Appalachian Regional Commission.....	13,651,092
U.S. Department of Veterans Affairs.....	7,189,247
Corporation for National and Community Service.....	5,041,285
National Foundation on the Arts and the Humanities.....	5,024,728
U.S. Small Business Administration.....	3,081,699
U.S. Equal Employment Opportunity Commission.....	1,875,762
U.S. General Services Administration.....	1,388,878
U.S. Department of Commerce.....	967,450
U.S. Consumer Product Safety Commission.....	2,839
TOTAL EXPENDITURES.....	<u>\$ 9,539,679,868</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY FEDERAL AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

U.S. Department of Agriculture		
10	Cooperative Pest Recordkeeping Contract.....	\$ 16,404
10.025	Plant and Animal Disease, Pest Control, and Animal Care.....	59,612
10.064	Forestry Incentives Program.....	6,200
10.069	Conservative Reserve Program.....	7,286
10.071	Federal-State Cooperation in Warehouse Examination Agreement.....	25,450
10.163	Market Protection and Promotion.....	538,373
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection.....	4,693,123
10.550	Food Distribution.....	24,831,197
<i>Food Stamp Cluster:</i>		
10.551	Food Stamps.....	543,358,917
10.561	State Administrative Matching Grants for Food Stamp Program.....	69,143,207
		<u>612,502,124</u>
<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program.....	29,558,076
10.555	National School Lunch Program.....	143,059,899
10.556	Special Milk Program for Children.....	941,364
10.559	Summer Food Service Program for Children.....	4,347,705
		<u>177,907,044</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children....	168,002,593
10.558	Child and Adult Care Food Program.....	45,091,144
10.560	State Administrative Expenses for Child Nutrition.....	3,070,765
10.564	Nutrition Education and Training Program.....	127,421
10.568	Emergency Food Assistance (Administrative Costs).....	1,735,607
10.570	Nutrition Program for the Elderly (Commodities).....	5,019,301
10.572	WIC Farmers' Market Nutrition Program (FMNP).....	228,922
10.574	Team Nutrition Grants.....	22,025
10.652	Forestry Research.....	6,500
10.664	Cooperative Forestry Assistance.....	1,075,213
10.769	Rural Development Grants.....	125,000
	Total U.S. Department of Agriculture.....	\$ 1,045,091,304
U.S. Department of Commerce		
11.307	Economic Adjustment Assistance.....	\$ 81,373
11.407	Interjurisdictional Fisheries Act of 1986.....	5,630
11.419	Coastal Zone Management Administration Awards.....	713,750
11.420	Coastal Zone Management Estuarine Research Reserves.....	166,697
	Total U.S. Department of Commerce.....	\$ 967,450
U.S. Department of Defense		
12	FUSRAP Oversight: Diamond Magnesium Site and Luckey Beryllium Site	\$ 34,510
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services.....	479,999
12.401	National Guard Military Operations and Maintenance (O&M) Projects.....	17,926,693
12.630	Basic, Applied, and Advanced Research in Science and Engineering.....	32,385
	Total U.S. Department of Defense.....	\$ 18,473,587
U.S. Department of Housing and Urban Development		
14.182	Lower Income Housing Assistance Program -- Section 8 Moderate Rehabilitation.....	\$ 54,081,467
14.228	Community Development Block Grants/State's Program.....	54,069,003
14.231	Emergency Shelter Grants Program.....	2,962,429
14.235	Supportive Housing Program.....	201,723
14.238	Shelter Plus Care.....	135,100
14.239	HOME Investment Partnerships Program.....	7,749,251

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY FEDERAL AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

U.S. Department of Housing and Urban Development (Continued)

14.241	Housing Opportunities for Persons with AIDS.....	910,893
14.401	Fair Housing Assistance Program -- State and Local.....	236,590
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing.....	1,111,899
	Total U.S. Department of Housing and Urban Development.....	\$ 121,458,355

U.S. Department of the Interior

15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining.....	\$ 1,253,494
15.252	Abandoned Mine Land Reclamation (AMLR) Program.....	7,759,539

Fish and Wildlife Cluster:

15.605	Sport Fish Restoration.....	3,681,757
15.611	Wildlife Restoration.....	2,665,215
		<u>6,346,972</u>

15.615	Cooperative Endangered Species Conservation Fund.....	22,375
15.808	U.S. Geological Survey -- Research and Data Acquisition.....	186,081
15.916	Outdoor Recreation -- Acquisition, Development and Planning.....	192,113
	Total U.S. Department of the Interior.....	\$ 15,760,574

U.S. Department of Justice

16.523	Juvenile Accountability Incentive Block Grants.....	\$ 3,068,683
16.540	Juvenile Justice and Delinquency Prevention -- Allocation to States.....	2,818,107
16.541	Juvenile Justice and Delinquency Prevention -- Special Emphasis.....	361,039
16.548	Title V -- Delinquency Prevention Program.....	767,356
16.549	Part E -- State Challenge Activities.....	15,185
16.550	State Justice Statistics Program for Statistical Analysis Centers.....	37,449
16.554	National Criminal History Improvement Program (NCHIP).....	1,150,741
16.560	Justice Research, Development, and Evaluation Project Grants.....	246,575
16.572	State Criminal Alien Assistance Program.....	571,304
16.575	Crime Victim Assistance.....	12,316,317
16.576	Crime Victim Compensation.....	2,720,500
16.579	Byrne Formula Grant Program.....	19,017,765
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program.....	7,977
16.585	Drug Court Discretionary Grant Program.....	1,784
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants.....	15,277,123
16.588	Violence Against Women Formula Grants.....	5,386,281
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program.....	277,548
16.592	Local Law Enforcement Block Grants Program.....	941,870
16.593	Residential Substance Abuse Treatment for State Prisoners.....	251,121
16.598	State Identification Systems Grant Program.....	172,728
16.727	Combating Underage Drinking.....	257,174
	Total U.S. Department of Justice.....	\$ 65,664,627

U.S. Department of Labor

17.002	Labor Force Statistics.....	\$ 2,636,432
17.005	Compensation and Working Conditions Data.....	23,845
17.203	Labor Certification for Alien Workers.....	317,395

Employment Services Cluster:

17.207	Employment Service.....	37,169,058
17.801	Disabled Veterans' Outreach Program (DVOP).....	3,683,806
17.804	Local Veterans' Employment Representative Program.....	3,715,250
		<u>44,568,114</u>

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY FEDERAL AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

U.S. Department of Labor (Continued)

17.225	Unemployment Insurance.....	793,657,775
17.235	Senior Community Service Employment Program.....	3,797,502
17.245	Trade Adjustment Assistance -- Workers.....	6,106,480
<i>JTPA Cluster:</i>		
17.246	Employment and Training Assistance -- Dislocated Workers.....	32,256,337
17.250	Job Training Partnership Act.....	74,649,944
		<u>106,906,281</u>
17.249	Employment Services and Job Training -- Pilot and Demonstration Programs.....	17,674,701
17.504	Consultation Agreements.....	1,339,702
17.600	Mine Health and Safety Grants.....	96,571
17.802	Veterans' Employment Program.....	5,000
	Total U.S. Department of Labor.....	\$ 977,129,798

U.S. Department of Transportation

20.005	Boating Safety Financial Assistance.....	\$ 2,250,272
20.106	Airport Improvement Program.....	305,615
20.205	Highway Planning and Construction.....	664,597,086
20.217	Motor Carrier Safety	51,532
20.218	National Motor Carrier Safety	3,298,400
20.219	Recreational Trails Program.....	111,898
20.308	Local Rail Freight Assistance.....	268,985
<i>Federal Transit Cluster:</i>		
20.500	Federal Transit -- Capital Improvement Grants.....	14,713,153
20.507	Federal Transit -- Formula Grants.....	304,646
		<u>15,017,799</u>
20.505	Federal Transit -- Metropolitan Planning Grants.....	2,563,016
20.509	Formula Grants for Other Than Urbanized Areas.....	6,688,252
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities.....	1,734,848
20.600	State and Community Highway Safety.....	7,155,769
20.700	Pipeline Safety.....	250,042
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants.....	231,261
	Total U.S. Department of Transportation.....	\$ 704,524,775

U.S. Appalachian Regional Commission

23.002	Appalachian Area Development.....	\$ 80,673
23.003	Appalachian Development Highway System.....	13,015,819
23.008	Appalachian Local Access Roads.....	400,129
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects.....	154,471
	Total U.S. Appalachian Regional Commission.....	\$ 13,651,092

U.S. Equal Employment Opportunity Commission

30.002	Employment Discrimination -- State and Local Fair Employment Practices Agency Contracts.....	\$ 1,875,762
	Total U.S. Equal Employment Opportunity Commission.....	\$ 1,875,762

U.S. General Services Administration

39.003	Donation of Federal Surplus Personal Property.....	\$ 1,388,878
	Total U.S. General Services Administration.....	\$ 1,388,878

**STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

National Foundation on the Arts and the Humanities

45.025	Promotion of the Arts -- Partnership Agreements.....	\$	915,500
45.301	Institute of Museum and Library Services -- General Operating Support.....		8,111
45.310	State Library Program.....		4,101,117
	Total National Foundation on the Arts and the Humanities.....	\$	5,024,728

U.S. Small Business Administration

59	Small Business Export and Trade.....	\$	4,000
59.037	Small Business Development Center.....		3,077,699
	Total U.S. Small Business Administration.....	\$	3,081,699

U.S. Department of Veterans Affairs

64.005	Grants to States for Construction of State Home Facilities.....	\$	45,437
64.014	Veterans State Domiciliary Care.....		1,253,220
64.015	Veterans State Nursing Home Care.....		5,377,083
64.124	All-Volunteer Force Educational Assistance.....		513,507
	Total U.S. Department of Veterans Affairs.....	\$	7,189,247

U.S. Environmental Protection Agency

66.032	State Indoor Radon Grants.....	\$	369,119
66.433	State Underground Water Source Protection.....		255,117
66.454	Water Quality Management Planning.....		403,053
66.458	Capitalization Grants for State Revolving Funds.....		281,721,491
66.460	Nonpoint Source Implementation Grants.....		2,318,545
66.461	Wetlands Protection -- Development Grants.....		107,081
66.463	National Pollutant Discharge Elimination System Related State Program Grants.....		8,668
66.467	Wastewater Operator Training Grant Program (Technical Assistance).....		64,373
66.468	Capitalization Grants for Drinking Water State Revolving Funds.....		94,797
66.470	Harship Grants Program for Rural Communities.....		33,168
66.500	Environmental Protection -- Consolidated Research.....		49,502
66.605	Performance Partnership Grants.....		12,783,178
66.606	Surveys, Studies, Investigations and Special Purpose Grants.....		2,802,629
66.700	Consolidated Pesticide Enforcement Cooperative Agreements.....		403,157
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements.....		12,864
66.707	TSCA Title IV State Lead Grants -- Certification of Lead-Based Paint Professionals.....		306,234
66.708	Pollution Prevention Grants Program.....		75,414
66.802	Superfund State Site -- Specific Cooperative Agreements.....		2,579,344
66.804	State Underground Storage Tanks Program.....		152,654
66.805	Leaking Underground Storage Tank Trust Fund Program.....		1,203,645
66.810	CEPP Technical Assistance Grants Program.....		114,799
	Total U.S. Environmental Protection Agency.....	\$	305,858,832

U.S. Department of Energy

81	Agreement in Principle	\$	1,218,072
81	Cost Recovery Grants.....		713,997
81	Petroleum Violation Escrow Funds.....		5,533,471
81.039	National Energy Information Center.....		2,145
81.041	State Energy Program.....		1,626,321
81.042	Weatherization Assistance for Low-Income Persons.....		6,413,302
81.079	Regional Biomass Energy Program		54,695
81.086	Conservation Research and Development.....		3,413
81.104	Technology Development for Environmental Management.....		308,916
81.105	National Industrial Competitiveness through Energy, Environment, and Economics.....		324,826
81.62X-SZ236V	Energy Efficiency in Schools.....		45,382
	Total U.S. Department of Energy.....	\$	16,244,540

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY FEDERAL AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

Federal Emergency Management Agency

83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986.....	\$	14,824
83.505	State Disaster Preparedness Grant.....		11,226
83.534	Emergency Management -- State and Local Assistance.....		3,468,606
83.535	Mitigation Assistance.....		109,272
83.543	Individual and Family Grants.....		3,702,844
83.544	Public Assistance Grants.....		20,278,863
83.545	Disaster Housing Program.....		1,865,824
83.548	Hazard Mitigation Grant.....		3,917,264
83.551	Project Impact - Building Disaster Resistant Communities.....		20,552
	Total Federal Emergency Management Agency.....	\$	33,389,275

U.S. Department of Education

84.002	Adult Education -- State Grant Program.....	\$	13,478,284
84.010	Title I Grants to Local Educational Agencies.....		297,852,915
84.011	Migrant Education -- Basic State Grant Program.....		2,094,175
84.013	Title I Program for Neglected and Delinquent Children.....		1,785,010
84.024	Early Education for Children with Disabilities.....		69,977
84.026	Media and Captioning Services for Individuals with Disabilities.....		2,000

Special Education Cluster:

84.027	Special Education -- Grants to States.....		111,381,353
84.173	Special Education -- Preschool Grants.....		10,971,139
			<hr/> 122,352,492

84.029	Special Education -- Personnel Development and Parent Training.....		95,888
84.032	Federal Family Education Loans.....		5,566
84.034	Library Services Construction Act/Library Improvement.....		382,932
84.035	Interlibrary Cooperation and Resource Sharing.....		127,595
84.048	Vocational Education -- Basic Grants to States.....		41,778,396
84.069	Leveraging Educational Assistance Partnership.....		1,012,607
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States.....		110,254,383
84.128	Rehabilitation Services -- Service Projects.....		285,820
84.151	Chapter 2 -- State Block Grants.....		17,444
84.154	Public Library Construction and Technology Enhancement.....		287,341
84.158	Secondary Education and Transitional Services for Youth with Disabilities.....		246,037
84.161	Rehabilitation Services -- Client Assistance Program.....		476,451
84.162	Immigrant Education.....		347,842
84.169	Independent Living -- State Grants.....		488,721
84.177	Rehabilitation Services -- Independent Living Services for Older Individuals Who Are Blind.....		170,959
84.181	Special Education -- Grants for Infants and Families with Disabilities.....		12,337,587
84.185	Byrd Honors Scholarships.....		1,606,090
84.186	Safe and Drug-Free Schools and Communities -- State Grants.....		20,872,742
84.187	Supported Employment Services for Individuals with Severe Disabilities.....		1,721,529
84.194	Bilingual Education Support Services.....		143,195
84.196	Education for Homeless Children and Youth.....		1,063,547
84.206	Javits Gifted and Talented Students Education Grant Program.....		186,887
84.213	Even Start -- State Educational Agencies.....		4,042,022
84.215	Fund for the Improvement of Education.....		220,079
84.216	Capital Expenses.....		2,122,667
84.240	Program of Protection and Advocacy of Individual Rights.....		343,189
84.243	Tech-Prep Education.....		4,394,309
84.248	Demonstration Projects for the Integration of Vocational and Academic Learning.....		15,382
84.276	Goals 2000 -- State and Local Education Systemic Improvement Grants.....		21,356,538
84.281	Eisenhower Professional Development State Grants.....		13,716,339
84.282	Charter Schools.....		807,410

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY FEDERAL AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

U.S. Department of Education (Continued)

84.298	Innovative Education Program Strategies.....	11,991,462
84.314	Even Start -- Statewide Family Literacy Program.....	41,967
84.318	Technology Literacy Challenge Fund Grants.....	16,736,049
84.323	Special Education -- State Program Improvement Grants for Children with Disabilities.....	280,539
84.331	Grants to States for Incarcerated Youth Offenders.....	624,250
84.332	Comprehensive School Reform Demonstration Program.....	2,256,445
	Total U.S. Department of Education.....	\$ 710,493,059

U.S. Consumer Product Safety Commission

87.S01474435	Consumer Product Safety Commission.....	\$ 2,839
	Total U.S. Consumer Product Safety Commission.....	\$ 2,839

U.S. Department of Health and Human Services

93	Federal Administration Reimbursement Fund.....	\$ 726,838
93	Food Sanitation Inspection Contract.....	115,371
93	Ryan White - Cleveland Funds.....	200,000
93	State Assessment Study.....	4,374
93	Tissue Residue Contract.....	11,000
93.041	Special Programs for the Aging -- Title VII, Chapter 3 -- Programs for Prevention of Elder Abuse, Neglect, and Exploitation.....	167,322
93.042	Special Programs for the Aging -- Title VII, Chapter 2 -- Long Term Care Ombudsman Services for Older Individuals.....	209,599
93.043	Special Programs for the Aging -- Title III, Part F -- Disease Prevention and Health Promotion Services.....	459,663

Aging Cluster:

93.044	Special Programs for the Aging -- Title III, Part B -- Grants for Supportive Services and Senior Centers.....	13,855,685
93.045	Special Programs for the Aging -- Title III, Part C -- Nutrition Services.....	17,483,605
		<u>31,339,290</u>

93.046	Special Programs for the Aging -- Title III, Part D -- In-Home Services for Frail Older Individuals.....	317,595
93.048	Special Programs for the Aging -- Title IV -- Training, Research and Discretionary Projects and Programs.....	50,000
93.05-9805-OH-5002	Clinical Laboratory Improvement Amendment.....	208,088
93.05-9905-OH-5002	Clinical Laboratory Improvement Amendment.....	470,711
93.102	Demonstration Grants for Residential Treatment for Women and Their Children.....	305,868
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED).....	244,200
93.110	Maternal and Child Health Federal Consolidated Programs.....	193,288
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity.....	874,616
93.127	Emergency Medical Services for Children.....	155,750
93.130	Primary Care Services -- Resource Coordination and Development Primary Care Offices.....	238,712
93.138	Protection and Advocacy for Individuals with Mental Illness.....	623,506
93.141	EMS for Children Enhancement Grant.....	9,379
93.150	Projects for Assistance in Transition for Homelessness (PATH).....	617,417
93.161	Health Program for Toxic Substances and Disease Registry.....	302,191
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities.....	3,095,833
93.197	Childhood Lead Poisoning Prevention Projects -- State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children.....	1,124,194
93.217	Family Planning -- Services.....	3,302,527
93.223-97-4192	FDA X-Ray Inspection.....	13,815

**STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

U.S. Department of Health and Human Services (Continued)

93.223-99-4434	Mammography Quality Standard Act Inspections.....	319,768
93.234	Traumatic Brain Injury	38,298
93.235	Abstinence Education.....	1,723,874
93.262	Occupational Safety and Health Research Grants.....	249,059
93.268	Immunization Grants.....	5,475,158
93.283	Centers for Disease Control and Prevention -- Investigations and Technical Assistance.....	1,262,003
93.554	Emergency Protection Grants - Substance Abuse.....	36,533
93.556	Family Preservation and Support Services.....	9,830,095
93.558	Temporary Assistance for Needy Families.....	329,666,870
93.561	Job Opportunities and Basic Skills Training.....	107,485
93.563	Child Support Enforcement.....	124,383,374
93.566	Refugee and Entrant Assistance -- State Administered Programs.....	2,726,534
93.568	Low-Income Home Energy Assistance.....	52,475,961
93.569	Community Services Block Grant.....	20,599,596
93.570	Community Services Block Grant - Discretionary Awards.....	61,799
93.571	Community Services Block Grant Discretionary Award --Community Food and Nutrition.....	157,313
<i>Child Care Cluster:</i>		
93.575	Child Care and Development Block Grant.....	6,919,663
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund.....	115,072,510
		<u>121,992,173</u>
93.576	Refugee and Entrant Assistance -- Discretionary Grants.....	220,135
93.584	Refugee and Entrant Assistance -- Targeted Assistance.....	358,208
93.585	Empowerment Zones Program.....	1,224,554
93.586	State Court Improvement Program.....	281,042
93.590	Community-Based Family Resource and Support Grants.....	993,946
93.595	Welfare Reform Research, Evaluations, and National Studies.....	52,753
93.597	Grants to States for Access and Visitation Programs.....	245,577
93.600	Head Start.....	204,731
93.630	Developmental Disabilities Basic Support and Advocacy Grants.....	3,907,102
93.643	Children's Justice Grants to States.....	109,556
93.645	Child Welfare Services -- State Grants.....	9,341,295
93.647	Social Services Research and Demonstration.....	124,635
93.652	Adoption Opportunities.....	123,800
93.656	Temporary Child Care and Crisis Nurseries.....	219,815
93.658	Foster Care -- Title IV-E.....	194,704,955
93.659	Adoption Assistance.....	79,865,051
93.667	Social Services Block Grant.....	88,827,715
93.669	Child Abuse and Neglect State Grants.....	1,189,163
93.671	Family Violence Prevention and Services/Grants for Battered Women's-- Shelters Grants to States and Indian Tribes.....	2,532,967
93.672	Community-Based Prevention Program.....	39,838
93.674	Independent Living.....	2,829,537
<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units.....	2,029,106
93.777	State Survey and Certification of Health Care Providers and Suppliers.....	15,811,308
93.778	Medical Assistance Program.....	4,175,956,909
		<u>4,193,797,323</u>
93.779	Health Care Financing Research, Demonstrations and Evaluations.....	593,018
93.913	Grants to States for Operation of Offices of Rural Health.....	35,832
93.917	HIV Care Formula Grants.....	8,227,691

**STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 BY FEDERAL AGENCY AND FEDERAL PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE

U.S. Department of Health and Human Services (Continued)

93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs.....	3,709,521
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.....	629,787
93.940	HIV Prevention Activities -- Health Department Based.....	4,566,799
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance.....	445,741
93.951	Demonstration Grants to States with Respect to Alzheimer's Disease.....	88,779
93.958	Block Grants for Community Mental Health Services.....	9,437,451
93.959	Block Grants for Prevention and Treatment of Substance Abuse.....	63,811,499
93.965	Coal Miners Respiratory Impairment Treatment Clinics and Services.....	352,761
93.977	Preventive Health Services -- Sexually Transmitted Diseases Control Grants.....	1,990,140
93.978	Preventive Health Services -- Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants.....	46,950
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems.....	361,924
93.991	Preventative Health and Health Services Block Grant.....	8,756,772
93.994	Maternal and Child Health Services Block Grant to the States.....	23,007,642
93-A-98-07-384	Ohio Family Health Survey.....	33,197
	Total U.S. Department of Health and Human Services.....	\$ 5,423,776,242

Corporation for National and Community Service

94.003	State Commissions.....	\$ 360,733
94.004	Learn and Serve America - School and Community Based Programs.....	989,059
94.006	AmeriCorps.....	3,036,401
94.007	Planning and Program Development Grants.....	85,967
94.009	Training and Technical Assistance.....	161,968
94.011	Foster Grandparent Program.....	407,157
	Total Corporation for National and Community Service.....	\$ 5,041,285

Social Security Administration

96	Program Income for Rehabilitating Recipients of Social Security Income and Supplemental Security Income -- Vocational Rehabilitation Program (CFDA# 84.126).....	\$ 6,094,572
96.0600-98-32688	Vital Statistics -- Social Security Contract.....	121,860
96.0600-98-32782	Vital Statistics -- Social Security Enumeration Contract.....	261,853
96.001	Social Security -- Disability Insurance.....	56,602,804
96.007	Social Security -- Research and Demonstration.....	160,574
96.200-95-7236	Vital Statistics -- Health Statistics.....	332,799
96.200-98-7265	Vital Statistics -- National Death Index.....	17,458
	Total Social Security Administration.....	\$ 63,591,920

TOTAL EXPENDITURES..... **\$ 9,539,679,868**



**STATE OF OHIO
NOTES TO THE SUPPLEMENTARY SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, revised June 30, 1997, requires a Supplementary Schedule of Expenditures of Federal Awards (Supplementary Schedule). The State of Ohio reports this information using the following presentations:

- Supplementary Schedule of Expenditures of Federal Awards Summarized by State Agency
- Supplementary Schedule of Expenditures of Federal Awards by State Agency and Federal Program
- Supplementary Schedule of Expenditures of Federal Awards Summarized by Federal Agency
- Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program

The schedules must report total disbursements for each federal financial assistance program, as listed in the *Catalog of Federal Domestic Assistance (CFDA)*. The State of Ohio reports each federal financial assistance program not officially assigned CFDA numbers with a two-digit number that identifies the federal grantor agency or with a two-digit federal grantor agency number followed by a federal contract number, when applicable.

A. Reporting Entity

The Supplementary Schedules include all federal programs the State of Ohio has administered for the fiscal year ended June 30, 1999. The State's financial reporting entity includes the primary government and its component units.

The State of Ohio's primary government includes all funds, account groups, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for

which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

The State has excluded federal financial assistance reported in the Discretely Presented Component Units—College and University Funds from the Supplementary Schedules. The respective schedules of expenditures of federal awards for the following organizations, which constitute component units of the State since they impose or potentially impose financial burdens on the primary government, are subject to separate audits under OMB Circular A-133.

Colleges and Universities:

State Universities:

- Bowling Green State University
- Central State University
- Cleveland State University
- Kent State University
- Miami University
- Ohio State University
- Ohio University
- Shawnee State University
- University of Akron
- University of Cincinnati
- University of Toledo
- Wright State University
- Youngstown State University



**STATE OF OHIO
NOTES TO THE SUPPLEMENTARY SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Community Colleges:

Cincinnati State Community College
Clark State Community College
Columbus State Community College
Edison State Community College
Northwest State Community College
Owens State Community College
Southern State Community College
Terra State Community College
Washington State Community College

Medical College:

Medical College of Ohio at Toledo

B. Basis of Accounting

The State prepares the Supplementary Schedules on the cash basis of accounting; therefore, the State recognizes expenditures when paid rather than when it incurs obligations.

C. Transfers of Federal Funds Among State Agencies

The State has adopted the following policies to avoid the overstatement of federal financial assistance reported on the Supplementary Schedules.

- A state agency that receives federal funds from another state agency to assist in meeting the requirements of an assistance award reports the federal assistance in its accounts. In such cases, the State excludes the interagency disbursements of federal moneys from the accounts of the state agency that originally receives the funds from the federal government.
- When a state agency uses federal assistance moneys to purchase goods or services from another state agency, the State includes the interagency disbursements of federal moneys in the accounts of the state agency making the purchase. The state agency from which goods and services are purchased does not report the receipt of federal moneys as federal assistance.

D. Indirect Costs

Indirect costs benefit more than one federal program

and are not directly allocable to the programs receiving the benefits. The State recovers these costs from the federal government by applying federally approved indirect cost rates or by allocating the indirect costs among benefiting programs in accordance with federally approved plans. The State recognizes indirect costs as disbursements in the Supplementary Schedules.

E. Valuation of Non-Cash Federal Assistance

The State reports the following non-cash federal assistance programs on the Supplementary Schedules.

- *Food Commodities (CFDA# 10.550)*
Federal assistance for this program represents the value of food the State distributes to subrecipients during the fiscal year. The U.S. Department of Agriculture assigns the prices at which the State values donated food commodities.
- *Food Stamps (CFDA# 10.551)*
Federal assistance for this program represents the value of food stamp benefits the State and its agents distribute to eligible recipients during the fiscal year. Distribution occurs when beneficiaries receive food stamp coupons or, in the case of electronic benefits transfer (EBT), when the State credits the value of program benefits to beneficiaries' smart cards. The State values food stamp coupons at their face amount.
- *Federal Surplus Personal Property (CFDA# 39.003)*
Federal assistance for this program represents the fair market value of federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair market value at 23.3 percent of the property's original acquisition cost, in conformity with guidelines the U.S. General Services Administration establishes.

Year-end balances of the State's non-cash federal assistance programs can be found in NOTE 3.



**STATE OF OHIO
 NOTES TO THE SUPPLEMENTARY SCHEDULE
 OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 CAPITALIZATION GRANTS FOR REVOLVING LOAN FUNDS (CFDA# 66.458)

As of June 30, 1999, outstanding loans for the Capitalization Grants for Revolving Loan Funds Program totaled approximately \$589 million.

As reported for the Ohio Environmental Protection Agency, the calculation of federal assistance for the loan program includes the following elements.

Capitalization Grant Loan Balance, as of 6/30/98	\$513,141,596
Loans without Compliance Requirements	<u>(311,231,662)</u>
Net Loan Balance (Loans with Compliance Requirements)	<u>201,909,934</u>

New Loans Disbursed in FY 1999	82,495,173
Net Principal Repayments Received in FY 1999	(9,199,390)
Capitalized Interest Earned in FY 1999	<u>2,787,884</u>
Current Loan Activity	<u>76,083,667</u>
Ending Loan Balance (Loans with Compliance Requirements)	277,993,601
Administrative Costs in FY 1999	<u>3,727,890</u>
Total Federal Assistance for FY 1999	<u>\$281,721,491</u>

NOTE 3 INVENTORY BALANCES FOR NON-CASH FEDERAL ASSISTANCE PROGRAMS

As of June 30, 1999, the outstanding inventory balances for the non-cash federal assistance programs are as follows:

CFDA#	Non-Cash Program	Outstanding Balance, as of 6/30/99
10.551	Food Stamp Coupons	\$121,572,378
10.550	Food Commodities	3,225,513
39.003	Federal Surplus Personal Property	<u>7,760</u>
	Total	<u>\$124,805,651</u>

NOTE 4 HOME INVESTMENT PARTNERSHIPS PROGRAM (CFDA# 14.239)

During fiscal year 1999, the State's Supplementary Schedules show the Department of Development spent approximately \$7.7 million on the Home Investment Partnerships Program.

Other Ohio governmental entities outside the State's reporting entity also benefited under this program during fiscal year 1999 by drawing an additional

\$15.7 million directly from the U.S. Department of Housing and Urban Development. Because the State does not participate directly in this facet of the program, it does not account for this financial activity on its accounting system. Consequently, the Ohio local governments' participation in this program has not been included in the State's Supplementary Schedules.

NOTE 5 FEDERAL MORTGAGE INSURANCE AND GUARANTEES

Certain mortgage loans of the Ohio Housing Finance Agency, a unit within the Ohio Department of Development, are insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans' Administration (VA). As of June 30,

1999, outstanding FHA-insured loans approximated \$4.7 million and mortgage loans guaranteed by the VA approximated \$485 thousand.



**STATE OF OHIO
NOTES TO THE SUPPLEMENTARY SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 6 FEDERAL TAX CREDIT PROGRAMS

The Ohio Housing Finance Agency (OHFA) within the Ohio Department of Development administers the following federal tax credit programs for the State of Ohio.

**A. Federal Low-Income Housing
Tax Credits Program**

The Federal Low-Income Housing Tax Credit Program allocates federal tax credits to the owners of qualified low-income rental housing units to be used over a 10-year period. For the 1999 allocation year ended December 31, 1999, OHFA allocated approximately \$15.9 million of federal tax credits under this program.

B. Federal Mortgage Credit Certificate Program

The Federal Mortgage Credit Certificate Program allocates tax credits to qualifying homebuyers purchasing qualifying homes to be applied against their federal income tax liability in the year of purchase (if any) and/or carried forward for use in the subsequent three years. In the year ended June 30, 1999, OHFA issued/committed approximately \$10.3 million in federal tax credits under this program.

**AUDITORS' REPORTS
ON COMPLIANCE AND
INTERNAL CONTROLS**



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43216

Telephone 614-466-3402
800-443-9275

Facsimile 614-728-7199

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Bob Taft, Governor
State of Ohio
Columbus, Ohio

We have audited the accompanying general-purpose financial statements of the State of Ohio, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the following organizations which are a part of the primary government:

Capitol Square Review and Advisory Board	Ohio Bureau of Workers' Compensation
Office of Financial Incentives	and Industrial Commission of Ohio
Office of the Auditor of State	State Treasury Asset Reserve of Ohio

Also, we did not audit the following component units:

Blended

Ohio Building Authority	State Highway Patrol Retirement System
Ohio Public Facilities Commission	

Discretely Presented

Bowling Green State University	Miami University	University of Toledo
Columbus State Community College	Ohio State University	Wright State University
Cleveland State University	Ohio University	Youngstown State University
Kent State University	University of Akron	
Medical College of Ohio at Toledo	University of Cincinnati	

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Firemen's Disability and Pension Fund System, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's trust and agency fund type. These financial statements reflect the following percentages of total assets or liabilities and revenues or additions of the indicated fund types, account groups, and discretely presented component units:

	<u>Percent of Total Assets/(Liabilities)</u>	<u>Percent of Total Revenues/Additions</u>
Special Revenue Fund Type	7%	0%
Debt Service Fund Type	45%	10%
Capital Projects Fund Type	1%	47%
Enterprise Fund Type	88%	57%
Internal Service Fund Type	30%	11%
Trust and Agency Fund Type	97%	47%
General Fixed Assets Account Group	9%	—
General Long-Term Obligations Account Group	(66%)	—
Discretely Presented Component Units	83%	94%

The financial statements of these independently audited organizations and the assets of these retirement systems were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of these independently audited organizations and the amounts of the retirement systems audited by other auditors included in the fund types and account groups comprising the general-purpose financial statements is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Other auditors performed tests of noncompliance related to the organizations listed above and the results of those tests are reported separately in the audit reports of those entities. There was no noncompliance related to these organizations which were considered reportable for the State of Ohio.

We noted certain immaterial instances of noncompliance that we have reported to the management of the State of Ohio in separate management letters issued at various times during the year.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Ohio's internal control over financial reporting, except for those entities identified above which were performed by other auditors, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Ohio's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are identified in the summary of findings and questioned costs on pages 114 through 115 and described in the accompanying schedule of findings and questioned costs.

Other auditors performed procedures to obtain an understanding of the internal controls of the organizations listed above. There were no comments related to these organizations which were considered reportable for the State of Ohio.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered the items identified and described in the summary of findings and questioned costs on pages 114 through 115 to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the State of Ohio in separate management letters issued at various times during the year.

This report is intended for the information and use of management, the State Legislature, and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

November 19, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43216

Telephone 614-466-3402
800-443-9275

Facsimile 614-728-7199

**Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

The Honorable Bob Taft, Governor
State of Ohio
Columbus, Ohio

Compliance

We have audited the compliance of the State of Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The State of Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of Ohio's management. Our responsibility is to express an opinion on the State of Ohio's compliance based on our audit.

Federal programs of the State College and University funds are subject to audit procedures under Office of Management and Budget Circular A-133 and are reported on separately.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the State of Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on State of Ohio's compliance with those requirements.

As identified in the summary of findings and questioned costs on pages 114 and 115 and described in the accompanying schedule of findings and questioned costs, the State of Ohio's Department of Human Services was not in compliance with the following Codes of Federal Regulations related to eligibility:

- | | | |
|-------------------|---------------------|------------------------|
| 7 CFR 272.8(a)(1) | 7 CFR 272.8(g)(4) | 7 CFR 272.8(i)(3) |
| 7 CFR 272.8(j)(2) | 7 CFR 273.2(f)(6) | 42 CFR 435.952(f) |
| 45 CFR 205.51(a) | 45 CFR 205.56(a)(1) | 45 CFR 205.56(a)(1)(v) |
| 45 CFR 435.952(f) | | |

As a result, we were unable to gain assurance the Department's Income and Eligibility Verification System (IEVS) and Client Registry Information System - Enhanced (CRIS - E) were functioning to ensure proper determinations of eligibility and continued eligibility of recipients were being made. In our opinion, the State of Ohio's compliance with these requirements is necessary for the State of Ohio to comply with the requirements applicable to the following programs:

10.551/10.561 - Food Stamp Cluster
93.558 - Temporary Assistance for Needy Families
93.775/93.777/93.778 - Medical Assistance Cluster

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are identified in the summary of findings and questioned costs on pages 114 and 115 and described in the accompanying schedule of findings and questioned costs.

We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the State of Ohio in separate management letters issued at various times during the year.

Internal Control Over Compliance

The management of the State of Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State of Ohio's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are identified in the summary of findings and questioned costs on pages 114 and 115 and described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider certain items identified in the summary of findings and questioned costs on page 114 and 115 and described in the accompanying schedule of findings and questioned costs to be material weaknesses.

We also noted other matters involving the internal controls over federal compliance that do not require inclusion in this report that we have reported to the management of the State of Ohio in separate management letters issued at various times during the year.

Schedules of Expenditures of Federal Awards

We have audited the accompanying general-purpose financial statements of the State of Ohio as of and for the year ended June 30, 1999, as listed in the table of contents, and have issued our opinion thereon dated November 19, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Supplementary Schedule of Expenditures of Federal Awards Summarized by State Agency, Supplementary Schedule of Expenditures of Federal Awards by State Agency and Federal Program, Supplementary Schedule of Expenditures of Federal Awards Summarized by Federal Agency, and Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program (schedules) are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of management, the State Legislature, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

January 31, 2000, except for the Schedules of Expenditures of
Federal Awards, as to which the date is November 19, 1999

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

**STATE OF OHIO
JUNE 30, 1999**

1. SUMMARY OF AUDITORS' RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified and Unqualified
(d)(1)(vi)	Are there any other reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	See pages 111 through 112
(d)(1)(viii)	Dollar threshold for Type A and B Programs?	A: >\$27,773,858 B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	1999-HUM26-045
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INTERNAL CONTROL - MATERIAL WEAKNESS

See federal finding # 1999-HUM26-045 on page 169; this finding is also required to be reported in accordance with GAGAS.

Finding Number	1999-HUM27-046
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INTERNAL CONTROL - MATERIAL WEAKNESS

See federal finding # 1999-HUM27-046 on page 170; this finding is also required to be reported in accordance with GAGAS.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GAAP PACKAGE SCHEDULES

<i>Finding Number</i>	1999-HUM53-001
<i>State Agency</i>	Ohio Department of Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

Each year, the Ohio Department of Human Services is required by the Office of Budget and Management (OBM) to complete various "GAAP Package" schedules which are used by OBM in preparing the State of Ohio Financial Statements. It is imperative these schedules be accurate and complete to avoid misstating the financial statements. It is management's responsibility to ensure control procedures are in place and operating effectively to prevent errors in these schedules.

Revised GAAP Package Schedules had to be submitted to OBM for fiscal year 1999 because the original schedules were incomplete or contained errors, identified by the auditors, as noted below:

- GAAP Schedule B-1 - Intergovernmental Receivable/Federal (GRF - Medicaid) - This schedule calculates the amount of Medicaid funds receivable from the federal government by subtracting federal receipts from the federal share of amounts paid in June, 1999. However, the original calculation applied the federal financial participation (FFP) rate to the amounts received from the federal government when the FFP rate had already been taken into consideration at the time of the drawdown. As a result, the federal receivable on the original B-1 Schedule was overstated by \$68,018,923.
- GAAP Schedule B-2 - Intergovernmental Receivable Federal (Fund 384 - TANF) - This schedule aids in calculating the amount of TANF funds receivable from the federal government by determining the net over/(under)payments in TANF monies to county agencies. The original schedule submitted to OBM was incomplete due to problems occurring within the County Reporting (CORE) system, which accounts for county-level activity related to various federal programs. Testing of the supporting documentation for the B-2 Schedule related to county activity was significantly delayed because information related to all county roll-over amounts was not provided in a timely manner. In addition, there were various errors within the Stark County CORE reports which also could not be reconciled. Therefore, we were unable to verify the reported net overpayment to counties of more than \$7 million until very late in the audit process.

As a result of these errors and the lack of supporting documentation, a significant amount of time was required by ODHS personnel, audit staff, and OBM to investigate and/or correct the amounts reported. These delays significantly impeded the preparation of the Financial Statements and could have impacted the submission of the State's Comprehensive Annual Financial Report to the Government Finance Officer's Association. In addition, errors in the information submitted to OBM in the GAAP Package schedules may have resulted in misstatements in the amounts reported in the State of Ohio's Financial Statements.

The Cash Management Supervisor indicated the error on the B-1 Schedule was due to oversight and a calculation worksheet being added after the supervisor's review, ultimately causing the errors to be uncovered. He believed the error would have been caught during the supervisor's review had the worksheet been included. County Finance Personnel stated the delays in receiving county information for the B-2 Schedule were caused by technical problems with the CORE system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GAAP PACKAGE SCHEDULES (Continued)

We recommend the Department strengthen their internal controls by ensuring sufficient support documentation is attached to the all GAAP package schedules prior to supervisory review. The support documentation should allow the reviewer to recalculate and obtain assurance the schedule being submitted is accurate and complete. In addition, the Department should thoroughly review and evaluate the CORE system to identify programming and other technical problems which may impact the receipt of accurate and timely county information. Priority should be placed on correcting these deficiencies to reasonably ensure the data provided by the system is reliable.

<i>Finding Number</i>	1999-HUM14-033
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM14-033 on page 154; this finding is also required to be reported in accordance with GAGAS.

<i>Finding Number</i>	1999-HUM16-035
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM16-035 on page 157; this finding is also required to be reported in accordance with GAGAS.

<i>Finding Number</i>	1999-HUM22-041
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM22-041 on page 165; this finding is also required to be reported in accordance with GAGAS.

<i>Finding Number</i>	1999-HUM23-042
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM23-042 on page 166; this finding is also required to be reported in accordance with GAGAS.

<i>Finding Number</i>	1999-HUM24-043
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM24-042 on page 167; this finding is also required to be reported in accordance with GAGAS.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<i>Finding Number</i>	1999-HUM25-044
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM25-044 on page 168; this finding is also required to be reported in accordance with GAGAS.

<i>Finding Number</i>	1999-HUM28-047
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INTERNAL CONTROL - REPORTABLE CONDITION

See federal finding # 1999-HUM28-047 on page 171; this finding is also required to be reported in accordance with GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

The questioned costs are summarized by federal agency, program, and amount on page 113.

The findings and questioned costs are summarized by state agency and type on pages 114 and 115.

The findings and questioned costs are detailed by state agency on pages 116 to 215.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MAJOR FEDERAL AWARDS PROGRAMS

CFDA #	Program Name	Disbursements	Percent of Total
<u>U.S. Department of Agriculture</u>			
<u>Food Stamp Cluster</u>			
10.551	Food Stamps	\$543,358,917	5.70%
10.561	State Administrative Matching Grants for Food Stamps	\$69,143,207	0.72%
	Total Food Stamp Cluster	\$612,502,124	6.42%
<u>Nutrition Cluster</u>			
10.553	School Breakfast Program	\$29,558,076	0.31%
10.555	National School Lunch Program	\$143,059,899	1.50%
10.556	Special Milk Program For Children	\$941,364	0.01%
10.559	Summer Food Service Program For Children	\$4,347,705	0.05%
	Total Nutrition Cluster	\$177,907,044	1.86%
10.557	Special Suppl. Nutrition Program for Women, Infants, & Children	\$168,002,593	1.76%
10.558	Child and Adult Care Food Program	\$45,091,144	0.47%
<u>U.S. Department of Housing and Urban Development</u>			
14.182	Lower Income Housing Assistance Program – Section 8	\$54,081,467	0.57%
14.228	Community Development Block Grant/State's Program	\$54,069,003	0.57%
<u>U.S. Department of Labor</u>			
<u>Employment Services Cluster</u>			
17.207	Employment Service	\$37,169,058	0.39%
17.801	Disabled Veterans' Outreach Program (DVOP)	\$3,683,806	0.04%
17.804	Local Veterans' Employment Representative Program	\$3,715,250	0.04%
	Total Employment Services Cluster	\$44,568,114	0.47%
17.225	Unemployment Insurance	\$793,657,775	8.32%
<u>JTPA Cluster</u>			
17.246	Employment & Training Assistance – Dislocated Workers	\$32,256,337	0.34%
17.250	Job Training Partnership Act	\$74,649,944	0.78%
	Total JTPA Cluster	\$106,906,281	1.12%
<u>U.S. Department of Transportation</u>			
20.205	Highway Planning and Construction	\$664,597,086	6.97%
<u>U.S. Environmental Protection Agency</u>			
66.458	Capitalization Grants for State Revolving Funds	\$281,721,491	2.95%
<u>U.S. Department of Education</u>			
84.010	Title I Grants to Local Education Agencies	\$297,852,915	3.12%
<u>Special Education Cluster</u>			
84.027	Special Education – Grants to States	\$111,381,353	1.17%
84.173	Special Education – Preschool Grants	\$10,971,139	0.12%
	Total Special Education Cluster	\$122,352,492	1.28%
84.048	Vocational Education – Basic Grants to States	\$41,778,396	0.44%
84.126	Rehabilitation Services — Vocational Rehabilitation to States	\$110,254,383	1.16%

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MAJOR FEDERAL AWARDS PROGRAMS

CFDA #	Program Name	Disbursements	Percent of Total
<u>U.S. Department of Health and Human Services</u>			
<u>Aging Cluster</u>			
	Special Programs for the Aging – Title III, Part B - Support		
93.044	Services	\$13,855,685	0.15%
93.045	Special Programs for the Aging – Title III, Part C - Nutrition	\$17,483,605	0.18%
	Total Aging Cluster	\$31,339,290	0.33%
93.558	Temporary Assistance for Needy Families	\$329,666,870	3.46%
93.563	Child Support Enforcement	\$124,383,374	1.30%
93.568	Low-Income Home Energy Assistance	\$52,475,961	0.55%
<u>Child Care Cluster</u>			
93.575	Child Care Development Block Grant	\$6,919,663	0.07%
	Child Care Mandatory and Matching Funds of the Child Care		
93.596	and Development Fund	\$115,072,510	1.21%
	Total Child Care Cluster	\$121,992,173	1.28%
93.658	Foster Care – Title IV-E	\$194,704,955	2.04%
93.659	Adoption Assistance	\$79,865,051	0.84%
93.667	Social Services Block Grant	\$88,827,715	0.93%
<u>Medicaid Assistance Cluster</u>			
93.775	State Medical Fraud Control	\$2,029,106	0.02%
	State Survey and Certification of Health Care Providers and		
93.777	Suppliers	\$15,811,308	0.17%
93.778	Medical Assistance Program	\$4,175,956,909	43.77%
	Total Medicaid Cluster	\$4,193,797,323	43.96%
93.959	Block Grants for Prevention and Treatment of Substance Abuse	\$93,811,499	0.98%
<u>Social Security Administration</u>			
96.001	Social Security – Disability Insurance	\$56,602,804	0.59%
Total Major Federal Programs		\$8,942,809,323	93.74%
Other Federal Programs		\$596,870,545	6.26%
Total Federal Awards Expenditures		\$9,539,679,868	100.00%

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**STATE OF OHIO
SUMMARY OF QUESTIONED COSTS BY FEDERAL AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</u>	<u>PAGE NUMBERS(S)</u>	<u>QUESTIONED COSTS</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
10.551/10.561 - Food Stamp Cluster	142	\$266
Total U.S. Department of Agriculture		\$266
<u>U.S. DEPARTMENT OF EDUCATION</u>		
84.027/84.173 - Special Education Cluster	123	\$23,417
84.186 - Safe and Drug Free Schools	120	200,000
84.213 - Even Start	120	118,782
Various Programs	121	106,189
Total U.S. Department of Education		\$448,388
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
93.044/93.045 - Aging Cluster	116	\$7,294,320
93.596 - Child Care Cluster	142	276
93.558 - Temporary Assistance for Needy Families	142,147,150	247,634
93.658 - Foster Care	139,140,144	1,415,289
93.667 - Social Services Block Grant	145,146,148,149	5,622,607
93.775/93.777/93.778 - Medical Assistance Cluster	141,142	31,923
Total U.S. Department of Health and Human Services		\$14,612,049
TOTAL QUESTIONED COSTS - STATE OF OHIO		\$15,060,703

STATE OF OHIO
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING @	PAGE REFERENCE
Ohio Department of Aging (AGE)			
1. Subrecipient Monitoring	1999-AGE01-002	Questioned Costs	116
2. Subrecipient Cost Allocation Plan	1999-AGE02-003	Reportable Condition	118
3. Subrecipient Contractual Agreements	1999-AGE03-004	Reportable Condition	118
Ohio Department of Education (EDU)			
1. Incorrect Expenditure Coding	1999-EDU01-005	Questioned Cost	120
2. Incorrect Federal Draw	1999-EDU02-006	Questioned Cost	120
3. Grant Admin. Payment System Reports	1999-EDU03-007	Questioned Cost	121
4. Expenditure Made After Period of Avail.	1999-EDU04-008	Questioned Cost	123
5. Subrecipient Monitoring	1999-EDU05-009	Noncompliance	123
6. On-site Reviews	1999-EDU06-010	Noncompliance	125
7. State Agency Review Criteria	1999-EDU07-011	Noncompliance	126
8. Suspension and Department	1999-EDU08-012	Noncompliance	127
9. DP - Application Dev. Documentation	1999-EDU09-013	Reportable Condition	129
Ohio Bureau of Employment Services (BES)			
1. Cash Management	1999-BES01-014	Noncompliance	130
2. Subrecipient Monitoring	1999-BES02-015	Noncompliance	131
3. Property Management	1999-BES03-016	Noncompliance	133
4. Untimely Report Submission	1999-BES04-017	Noncompliance	134
5. Use of Transmittal Letter	1999-BES05-018	Noncompliance	136
Ohio Department of Health (DOH)			
1. Subrecipient Monitoring	1999-DOH01-019	Noncompliance	137
Ohio Department of Human Services (HUM)			
1. Foster Care - Unallowable Maintenance	1999-HUM01-020	Questioned Costs	139
2. Foster Care - Incomplete Monitoring	1999-HUM02-021	Questioned Costs	140
3. Medicaid - Drug Rebate Payments	1999-HUM03-022	Questioned Costs	141
4. Missing Support Doc. - Hamilton County	1999-HUM04-023	Questioned Costs	142
5. Clothing Cost Reimbursement - Lorain County	1999-HUM05-024	Questioned Costs	144
6. Monitoring Subrecipients - Lorain County	1999-HUM06-025	Questioned Costs	145
7. No Evidence of Eligibility - Summit County	1999-HUM07-026	Questioned Costs	146
8. Unallowable Indirect Costs-Summit County	1999-HUM08-027	Questioned Costs	147
9. No Evidence of Eligibility - Franklin County	1999-HUM09-028	Questioned Costs	148
10. Unallowable Expenditures-Franklin County	1999-HUM10-029	Questioned Costs	149
11. Improper Expenditures - Franklin County	1999-HUM11-030	Questioned Costs	150
12. IEVS - Due Dates	1999-HUM12-031	Noncompliance	151
13. IEVS - Inadequate Documentation	1999-HUM13-032	Noncompliance	153
14. IEVS - Monitoring by ODHS	1999-HUM14-033	Noncompliance**	154
15. TANF - Sanctions	1999-HUM15-034	Noncompliance	155
16. Lack of Corrective Action	1999-HUM16-035	Noncompliance**	157
17. Unapproved Indirect Cost Allocation Amend.	1999-HUM17-036	Noncompliance	158
18. Subrecipient Monitoring	1999-HUM18-037	Noncompliance	160
19. Untimely SETS Implementation	1999-HUM19-038	Noncompliance	161
20. Unreviewed Food Stamp Reports	1999-HUM20-039	Noncompliance	161
21. Untimely Eligibility Redeter.-Various Counties	1999-HUM21-040	Noncompliance	163

STATE OF OHIO
SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING @	PAGE REFERENCE
Ohio Department of Human Services (HUM)			
22. IEVS - Monitoring by Counties	1999-HUM22-041	Material Weakness**	165
23. IEVS - Training	1999-HUM23-042	Material Weakness**	166
24. DP - Accuracy of CRIS-E Input	1999-HUM24-043	Material Weakness**	167
25. DP - Manual Overrides of CRIS-E (Fiats)	1999-HUM25-044	Material Weakness**	168
26. TANF - Monitoring	1999-HUM26-045	Material Weakness*	169
27. Food Stamp SAS 70 Report	1999-HUM27-046	Material Weakness*	170
28. Review-Food Stamp EBT Vendor Reports	1999-HUM28-047	Material Weakness**	171
29. Foster Care Contracts	1999-HUM29-048	Material Weakness	172
30. No Historical Payment Data in FACSIS	1999-HUM30-049	Material Weakness	173
31. Child Support Bank Reconciliations	1999-HUM31-050	Material Weakness	174
32. SETS - Lack of Training & Support to Co.	1999-HUM32-051	Material Weakness	176
33. SETS - System Development Life Cycle	1999-HUM33-052	Material Weakness	177
34. Voucher Summary Support Detail	1999-HUM34-053	Reportable Condition	178
35. Control Weaknesses/Coding Errors-Expend.	1999-HUM35-054	Reportable Condition	180
36. Contracts/Relationships with Co. Agencies	1999-HUM36-055	Reportable Condition	182
37. Medicaid - MECQ Eligibility Reviews	1999-HUM37-056	Reportable Condition	183
38. Medicaid - Verification of Third-party Liabilities	1999-HUM38-057	Reportable Condition	184
39. Medicaid - Documentation of Reviews	1999-HUM39-058	Reportable Condition	186
40. Medicaid - Provider Overpayment Controls	1999-HUM40-059	Reportable Condition	187
41. Medicaid - HCAP & Nursing Franchise Fees	1999-HUM41-060	Reportable Condition	188
42. Medicaid - Long-Term Care Patient Liabilities	1999-HUM42-061	Reportable Condition	190
43. Medicaid - Managed Care Provider Verification	1999-HUM43-062	Reportable Condition	191
44. Child Care - Monitoring Procedures	1999-HUM44-063	Reportable Condition	191
45. Internal Audits-Testing Automated Controls	1999-HUM45-064	Reportable Condition	192
46. Late County Reports - Various Counties	1999-HUM46-065	Reportable Condition	194
47. Missing Documentation - Various Counties	1999-HUM47-066	Reportable Condition	198
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@ The finding types reported in this column represent items which are being reported in the report on compliance requirements applicable to each major federal program and internal controls over compliance in accordance with OMB Circular A-133.

* These items are also material weaknesses in the report on compliance and internal controls over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

** These items are also considered reportable conditions in the report on compliance and internal controls over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF AGING

1. SUBRECIPIENT MONITORING

<i>Finding Number</i>	1999-AGE01-002
<i>CFDA Number and Title</i>	93.044/93.045 - Aging Cluster
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COSTS

\$7,294,320

45 CFR 74.2 states, in part:

Recipient means an organization receiving financial assistance directly from an HHS awarding agency to carry out a project or program. The term includes public and private institutions of higher education, public and private hospitals, commercial organizations, and other quasi-public and private non-profit organizations such as , but not limited to, community action agencies, research institutes, educational associations, and health centers.

45 CFR 74.21 states, in part:

(b) Recipients' financial management systems shall provide for the following:

- (1) Accurate, current and complete disclosure of the financial results of each HHS-sponsored project or program in accordance with the reporting requirements set forth in 45 CFR 74.52.
- (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- (7) Accounting records, including cost accounting records, that are supported by source documentation.

The Area Agency on Aging Region Nine (Agency) is a subrecipient of the Department of Aging which receives both federal and state funding. As previously reported in a special audit to the Department of Aging dated May 7, 1999, this Agency's accounting records do not readily identify how employees' payroll charges are distributed among the Agency's funds. The Agency did maintain some monthly time studies but they were not consistently completed by employees. There was no correlation between the percentage of time worked to funds charged; the payroll master files were not updated based upon the time studies. The payroll charges for January 1, 1996 through June 30, 1998 amounted to \$6,325,831, which result in Questioned Costs.

Area Agency on Aging Region Nine also shared office space with a not-for-profit organization, CORE Health, Inc. CORE Health, Inc.'s accounts were co-mingled with the Agency's general ledger. The receipts and expenses of CORE Health, Inc. were included in the Agency's bank account. In 1997 and 1998, CORE Health, Inc. revenue and expenditure reports showed deficits of \$90,625 and \$384,279 respectively, totaling \$474,904. This deficit was funded by the Agency's funds resulting in Questioned Costs of \$474,904.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF AGING

1. SUBRECIPIENT MONITORING (Continued)

The general ledger accounts for CORE Health, Inc. included a \$200,000 loan from the Agency which has not been repaid. The loan was financed by the Agency who paid interest to the lender totaling \$12,399. The principal was repaid from state emergency funds in March, 1999, for which the Agency remains liable. The principal and interest of \$212,399 result in Questioned Costs.

In addition, there were various expenditures, listed on the following table, made from Area Agency on Aging Region Nine that did not provide adequate documentation to support the necessity, purpose, or authorization for the expenditures made.

Description of Expenditures	Amounts
A down payment made by the Agency to purchase the building was not repaid by CORE Health, Inc. when CORE Health, Inc. later assumed ownership.	\$82,816
The Agency paid CORE Health, Inc. rental space for 30,000 square feet at \$7.50 and \$8.50 per square foot in 1997 and 1998, respectfully. The square footage for the entire building was 26,442 square feet resulting in excess rental charges for 3,558 square feet. Additionally, the Agency's 1998 rental fee was \$.50 per square feet higher than other building tenants.	71,938
The Agency purchased office furniture and equipment for the building without documentation to support authorization or necessity for the purchases.	45,760
The Agency made lease payments to a satellite office which was not occupied by Agency personnel.	37,200
The Agency paid for a cleaning service without adequate documentation although they employed a staff person for cleaning at the time.	19,100
There were various expenses by the Agency which lacked adequate documentation or authorization for proper purpose. These included entertainment charges, employee gifts, legal fees, auto expenses, and credit card purchases.	24,372
Total Questioned Costs	\$281,186

Undocumented charges to a federal program by a subrecipient exposes the Department to potential fines or penalties and may jeopardize future federal funding. The Department was aware of potential issues with Area Agency on Aging Region Nine and requested our assistance with performing additional audit procedures.

We recommend the Department strengthen the breadth and extent of its monitoring procedures. These procedures should include the review of payroll support documentation, contracts, relationships with not-for-profit organizations, and proper purpose of expenditures made by the Agencies.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF AGING

2. SUBRECIPIENT COST ALLOCATION PLANS

<i>Finding Number</i>	1999-AGE02-003
<i>CFDA Number and Title</i>	93.044/93.045 - Aging Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

Formal cost allocation plans must be in place and approved by the Department's management when Area Agencies on Aging (AAA) receive funding from both federal and state sources. In addition, monthly and quarterly reports provided by the AAA's are to be reviewed in a timely manner to ensure funds are spent in accordance with program guidelines.

The Department has not required AAA's with multiple funding sources to provide cost allocation plans. Area Agency on Aging Region Nine did not have a cost allocation plan for its multiple fund sources as well as the other not-for-profit organizations operating at the facility. As a result, the Department's management is developing policies and procedures to require AAA's to submit these plans in the future.

There is an increased likelihood of the Department disbursing funds which may not be allowable for program purposes if cost allocation plans are not required from AAA's. Additionally, without timely monitoring of the AAA's monthly and quarterly reports the Department decreases the timeliness for detecting financial difficulties at the AAA's.

The Department's management indicated they had not considered the necessity for requiring cost allocation plans from AAA's. Monthly and quarterly reports were reviewed by Department personnel when staffing was available since no Department policy required a review of these reports within a defined time period.

The Department should develop policies and implement procedures which require AAA's to submit cost allocation plans to the Department for approval before disbursing funds to the AAA's. When the Department's internal auditors conduct monitoring visits, procedures should include inspecting AAA facilities to determine whether the AAA is complying with the approved cost allocation plan. The Department should develop a procedure which outlines a defined time period in which reports should be received and reviewed by Department personnel. A tracking list may assist the Department in ensuring all monthly and quarterly reports from AAA's are received and reviewed by Department personnel in a timely manner. When reviewing these reports particular emphasis should be placed on comparing the AAA's reported receipts and disbursements against Departmental information.

In their Corrective Action Plan on page 226, the Department disagrees with the Auditor's recommendation that formal cost allocation plans are necessary since other cost accounting methods are included in its current policies. Based on the variety of cost allocation issues identified in the questioned costs, the current policies, in conjunction with the Department's monitoring function, are not effective in preventing noncompliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF AGING

3. SUBRECIPIENT CONTRACTUAL AGREEMENTS

<i>Finding Number</i>	1999-AGE03-004
<i>CFDA Number and Title</i>	93.044/93.045 - Aging Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

It is management's responsibility to require a contractual agreement between the Department and the Area Agencies on Aging (AAA) to clearly establish responsibilities and expectations when administering or assigning program requirements.

The Department did not have contracts with the 12 AAA's for the state and federal monies administered by the AAA's nor did they have a general contract to denote terms under which the AAA's were expected to perform and specify the rights of the Department for oversight of state and federal monies. The Department's management is in the process of updating their Policy and Procedure Manual to more clearly define their roles and monitoring responsibilities as well as developing a general contract between the Department and the AAA's.

Without a contractual agreement in place to establish uniform responsibilities for all AAA's, the Department increases the risk that inconsistent responsibilities and expectations are being applied by each of the AAA's. The Department believed their existing Policy and Procedure Manual adequately addressed their interests and monitoring responsibilities.

We recommend the Department consider development of a general contract between the Department and the AAA's. The contract should include necessary clauses to define public records as well as responsibilities a Board of Trustees have toward providing necessary assurances to the Department for any and all operations they undertake. In addition, the contract should address requirements applicable to each source of public money received.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

1. INCORRECT EXPENDITURE CODING

<i>Finding Number</i>	1999-EDU01-005
<i>CFDA Number and Title</i>	84.186 - Safe and Drug Free Schools
<i>Federal Agency</i>	Department of Education

QUESTIONED COST - UNALLOWABLE

\$200,000

20 USC 7113 states, in part:

(a) Except as provided in paragraph (2), an amount equal to 80 percent of the total amount allocated to a State Under section 7111...for each fiscal year shall be used by the State educational agency and its local educational agencies for drug and violence prevention activities in accordance with this section...(ii) an amount equal to 20 percent of such total amount shall be used by such independent State agency for drug and violence prevention activities in accordance with this section.

(d) (1) A state educational agency shall distribute not less than 91 percent of the amount made available under subsection (a) of this section for each fiscal year to local education agencies in accordance with this subsection.

The Department disbursed \$200,000 from the Safe and Drug Free Schools program (CFDA #84.186) for expenditures related to the Substance Abuse and Preventative Maintenance Block Grant (CFDA #93.959), a pass-through grant from the Ohio Department of Alcohol and Drug Addiction Services. Total expenditures for the Safe and Drug Free Schools program were approximately \$16.6 million.

Non-compliance with Federal program guidance could result in sanctions and/or adversely affect future program funding. In addition, the Department did not use Safe and Drug Free Schools program funds for their intended purpose to the detriment of those for whom the program was designed to serve. The account clerk erroneously charged CAS fund 3D1, Safe and Drug Free Schools, instead of CAS fund 4D1, the Substance Abuse and Preventative Maintenance Block Grant.

We recommend the Department, with assistance from the Office of Budget and Management, transfer \$200,000 from fund 4D1 (Substance Abuse and Preventative Maintenance Block Grant) to fund 3D1 (Safe and Drug Free Schools program).

2. INCORRECT FEDERAL DRAW

<i>Finding Number</i>	1999-EDU02-006
<i>CFDA Number and Title</i>	84.213 - Even Start State Educational Agencies
<i>Federal Agency</i>	Department of Education

QUESTIONED COST - UNALLOWABLE

\$118,782

20 USC 6363 (b) (1), states, in part:

Each state shall use the grant funds received under section 6362 (d)(1) and not reserved under subsection (a) to award subgrants to eligible entities to carry out Even Start programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

2. INCORRECT FEDERAL DRAW (Continued)

The Department drew \$118,782 from the Family Literacy Initiative (CFDA # 84.314) in error and spent these funds on the Even Start Program (CFDA #84.213) which expended approximately \$4 million during the fiscal year. The error was detected during testing of draws made by the Department.

The effect of such an error is to direct funds intended for the Family Literacy Initiative program to the Even Start Program, resulting in that program expending more funds than was allocated by the U.S. Department of Education, the grantor agency. The impact of overspending in the Even Start Program could be that such funds may be required to be returned to the grantor agency to the detriment of future program operations. In addition, the erroneous expenditure would cause the Schedule of Federal Awards to be inaccurately presented. An account clerk correctly recorded the fund and reporting category for the Even Start Program on the revenue receipt but recorded the grant number for the Family Literacy Initiative program in error. The Assistant Director used only the grant number recorded on the revenue receipt to draw funds from the Federal government without comparing it to the fund and reporting category for agreement.

We recommend the Department, with assistance from the Office of Budget and Management, transfer \$118,782 from the Even Start program to the Family Literacy Initiative program to correct the previous error. Further, we recommend the Department review the revenue receipt coding more carefully prior to requesting program funds from the grantor agency.

3. GRANT ADMINISTRATION PAYMENT SYSTEM REPORTS

<i>Finding Number</i>	1999-EDU03-007
<i>CFDA Number and Title</i>	All Programs Administered by the Department
<i>Federal Agency</i>	Department of Education

QUESTIONED COST - UNDOCUMENTED

\$106,189

34 CFR 80.20 (b)(2) states:

Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

We noted the following discrepancies between the revenue amounts reported by the Grant Administration and Payment System (GAPS) and the amounts shown as revenue on the state's Central Accounting System (CAS):

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

3. GRANT ADMINISTRATION PAYMENT SYSTEM REPORTS (Continued)

CFDA	Program	GAPS System Revenue	CAS Revenue	Difference
84.002	Adult Education - State Grant Program	\$ 14,865,495	\$ 13,430,729	\$ 1,434,766
84.010	Title I Grants to Local Educational Agencies	318,698,632	297,716,742	20,981,890
84.011	Migrant Education - Basic State Grant Program	2,192,710	2,098,175	94,535
84.013	Title I Program for Neglected & Delinquent	1,570,272	1,700,518	(130,246)
84.027	Special Education - Grants to States	85,385,216	111,506,807	(26,121,591)
84.029	Special Education - Personal Development and Parent Training	112,803	101,667	11,136
84.048	Vocational Education - Basic Grants to States	41,760,806	41,492,430	268,376
84.162	Immigrant Education	352,378	351,437	941
84.173	Special Education - Preschool Grants	10,753,513	10,550,513	203,000
84.186	Safe & Drug-Free Schools and Communities - State Grants	17,636,636	16,522,082	1,114,554
84.194	Bilingual Education Support Services	123,767	128,767	(5,000)
84.196	Education for Homeless Children and Youth	1,122,896	1,058,500	64,396
84.206	Javits Gifted and Talented Students Education Grant Program	308,000	289,136	18,864
84.213	Even Start - State Educational Agencies	4,198,535	4,045,042	153,493
84.215	Fund for the Improvement of Education	134,125	197,101	(62,976)
84.243	Tech-Prep Education	4,543,081	4,530,281	12,800
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	22,315,151	21,412,137	903,014
84.281	Eisenhower Professional Development Grants	12,016,420	11,694,465	321,955
84.298	Innovative Education Program Strategies	12,290,163	11,930,239	359,924
84.314	Even Start - State Family Literacy Program	157,855	41,780	116,075
84.318	Technology Literacy Challenge Fund Grants	16,849,500	16,694,500	155,000
84.923	Appalachian Regional Commission	291,956	80,673	211,283
	Total:	\$ 567,679,910	\$ 567,573,721	\$ 106,189

In addition, the Department did not perform periodic reconciliations of amounts reported in GAPS with amounts recorded in CAS to ensure the validity of reported amounts. Finally, we noted that several adjustments were made by an authorized Department user but were not authorized by management. Due to these circumstances, we must question the amount of the discrepancies between revenue per GAPS and that recorded in the state financial system.

Without sufficient monitoring activities in place, the Department cannot reasonably ensure the accuracy of cash draws made through GAPS for federal grants or the amount available for those grants. In addition, the Department would be unable to ensure that only authorized transactions are being made by authorized users, resulting in potentially abnormal activity and fraud.

According to the Fiscal Consultant responsible for cash draws, GAPS is a new system which had many flaws when introduced by the US Department of Education. In addition, the state Department had attempted for several months to reconcile the amounts recorded on GAPS to official state accounting records to no avail.

We recommend the Department enter into discussions with the U.S. Department of Education to determine the disposition of the differences noted previously. In addition, we recommend the Department reconcile GAPS-reported amounts with CAS amounts frequently to monitor the transactions posted to both systems. Finally, we recommend that adjustments be properly documented and maintained centrally. All reconciliations and significant adjustments should be approved by management.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

4. EXPENDITURE MADE AFTER PERIOD OF AVAILABILITY

<i>Finding Number</i>	1999-EDU04-008
<i>CFDA Number and Title</i>	84.027 & 84.173 - Special Education Cluster
<i>Federal Agency</i>	Department of Education

QUESTIONED COST - UNALLOWABLE

\$23,417

34 CFR 80.23 (b) states:

A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period...The Federal agency may extend this deadline at the request of the grantee.

The Department disbursed \$23,417 to a subrecipient on May 11, 1999 from the 1996 Preschool project grant. The period of availability for this grant was from July 1, 1996 to September 30, 1997 with a carryover provision from October 1, 1997 to September 30, 1998. Accordingly, all obligations incurred under this grant were required to be liquidated by December 31, 1998. This expenditure was made 130 days after the required liquidation date, with no extension requested. Therefore, we will question the entire amount of the disbursement. Total expenditures for this program was approximately \$11 million.

If the Department does not liquidate its obligations in accordance with Federal regulations, it could be required to repay the funds to the Federal government. According to the Grants Manager, it appears the expenditure was not checked to determine that funds were still available prior to its approval for payment.

We recommend the Department contact the Federal cognizant agency in order to determine the disposition of the expenditure being questioned. In addition, we recommend the Department more closely monitor expenditures to help ensure that funds are spent within the period of availability by reviewing fund balances in Federal grant accounts prior to the expiration of the period of availability.

5. SUBRECIPIENT MONITORING

<i>Finding Number</i>	1999-EDU05-009
<i>CFDA Number and Title</i>	All Programs Administered by the Department
<i>Federal Agency</i>	Departments of Agriculture and Education

NONCOMPLIANCE

OMB Circular A-133, Subpart D, §__400 (d) for audits of Fiscal Years beginning after June 30, 1996, states, in part, that a pass-through entity shall perform the following for the Federal awards it makes:

- (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 of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

5. SUBRECIPIENT MONITORING (Continued)

- (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.

During our review of the subrecipient monitoring functions at the Department, we noted the following exceptions:

- The Office of Grants Management had not received 30 of 483 audit reports for subrecipients required to have an audit for fiscal year 1997 and had not received 60 of 448 audit reports for subrecipients required to have an audit for fiscal year 1998.
- Fifteen of 60 fiscal year 1997 and 1998 audit reports tested had not been closed or had a corrective action letter sent to the district within six months.
- The subrecipient audit logs maintained by the Office of Grants Management:
 - ▶ had multiple Information Retrieval Numbers (IRN), the internal identification number given to an entity, for the same subrecipient;
 - ▶ did not indicate IRN numbers for 17 entities receiving Federal funds;
 - ▶ had two entities with the same IRN number;
 - ▶ had 244 entries where the Federal Tax ID number was used for more than one entry on the log;
 - ▶ did not list Federal Tax ID numbers on the audit log for 17 entities which received Federal funds.
- Six of ten Corrective Action memoranda forwarded by the Office of Grants Management to the Division of Child Nutrition Services were not on file to document the resolution of audit findings.
- The Division of Vocational Education did not have a tracking system in place to ensure that audit findings forwarded by the Office of Grants Management were resolved and approved in a timely manner by management.

The Department has approximately 2,500 subrecipients which collectively receive over \$500,000,000 in Federal subsidy payments.

Without complete and accurate information contained within the subrecipient tracking system, the Department cannot be reasonably assured that all subrecipients required to submit audit reports have done so or have had appropriate and timely corrective action resolutions. As a result, the risk that Federal funds may be spent improperly by the subrecipient or that effective and timely corrective action may not be taken on their reported internal control weaknesses and Federal noncompliance issues is increased.

According to the Grants Manager, the problem with delinquent reports continues to relate mainly to non-profit institutions subject to the audit requirements under OMB Circular A-133. In addition, the Department had limited control in ensuring that audits are completed and the reports are submitted timely, since the audits are not conducted by Department personnel. As to inaccuracies with the log, the Office of Grants Management does not have access to records from other divisions within the Department of Education which would assist them in determining the completeness and accuracy of the log.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

5. SUBRECIPIENT MONITORING (Continued)

We recommend the Department increase its efforts in recording audit reports into the tracking system and validating information contained within the system. Those subrecipients who do not submit reports within the required period should be notified of their noncompliance and stronger action taken for those who remain delinquent, including the withholding of future funds until compliance is achieved. In addition, we recommend the Department provide the Office of Grants Management with access to all pertinent division records to allow the proper tracking of subrecipients and eliminate duplicate Information Retrieval Numbers.

6. ON-SITE REVIEWS

<i>Finding Number</i>	1999-EDU06-010
<i>CFDA Number and Title</i>	10.558 - Child and Adult Care Food Program
<i>Federal Agency</i>	Department of Agriculture

NONCOMPLIANCE

7 CFR 226.6(l) states, in part:

Documentation of supervisory assistance activities, including reviews conducted, corrective actions prescribed, and follow-up efforts, shall be maintained on file by the State agency.

7 CFR 226.6(l) states, in part:

State agencies shall annually review 33.3 percent of all institutions [sponsoring organization, child care center, outside-school-hours care center, or adult day care center.] State agencies shall also ensure that each institution is reviewed according to the following schedule. (1) Independent centers, sponsoring organizations of centers, and sponsoring organizations of day care homes with 1 to 200 homes shall be reviewed at least once every four years.

Reviews of sponsoring organizations shall include reviews of 15 percent of their child care, adult day care, and outside-school-hours care centers and 10 percent of their day care homes. (2) Sponsoring organizations with more than 200 homes shall be reviewed at least once every two years. Reviews of such sponsoring organizations shall include reviews of 5 percent of the first 1,000 homes and 2.5 percent of all homes in excess of 1,000. (3) Reviews shall be conducted for newly participating sponsoring organizations with five or more child care facilities or adult day care facilities within the first 90 days of program operations.

The Department did not monitor its 690 Child and Adult Care Food program subrecipients for compliance with program regulations as follows:

- Only 121 on-site reviews, representing 17.5 percent of participants, were completed during the audit period.
- Three of 20 on-site reviews tested did not have a signed Completion of Corrective Action Memos on file as evidence of the review and acceptance of the subrecipients' corrective action plans. In addition, the Department could not produce documentation that a corrective action plan was submitted to correct review deficiencies.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

6. ON-SITE REVIEWS (Continued)

- One of two newly participating institutions tested with greater than five facilities was not reviewed within 90 days of beginning operations as required. The institution began participation in the program on June 8, 1998 and was not reviewed until March 3, 1999, 178 days in excess of the requirement.

Without performing on-site reviews when they are required and ensuring adequate corrective action plans are filed, there is increased risk that institutions are not operating the Child and Adult Care Food Program in accordance with program regulations and will continue to administer the program to the potential detriment of the children and adults for whom the program is intended to serve. According to the Assistant Director, staffing limitations have hampered the Department's efforts to achieve compliance with this requirement. In addition, at the start of the year, an error was made when calculating how many reviews needed to be completed to meet the federal requirements. The number of sponsors was erroneously divided by four, instead of three, meaning the Department assigned consultant reviews based on a 25 percent goal instead of the required 33.33 percent.

We recommend the Department periodically review the on-site review database to determine the progress toward meeting regulatory requirements. If necessary, the Department should reassign on-site reviews to program consultants to help ensure the appropriate number of reviews will be completed. In addition, we recommend the corrective action completed database field not be updated until an approved corrective action memo is received, approved and filed. During the periodic review of the database, management can identify those completed reviews for which corrective action plans are still outstanding and take appropriate action as necessary. Finally, we recommend that an additional field be added to the database to track the date the institution began program participation. At the time these institutions are entered into the database, the on-site review should be immediately assigned and communicated to the appropriate consultant to help ensure the review is completed within the appropriate time.

7. STATE AGENCY REVIEW CRITERIA

<i>Finding Number</i>	1999-EDU07-011
<i>CFDA Number and Title</i>	10.553, 10.555, 10.556, 10.559 - Child Nutrition Cluster
<i>Federal Agency</i>	Department of Agriculture

NONCOMPLIANCE

7 CFR 210.18 (p) states, in part:

(p) the State agency must have on file:

- (1) Criteria for selecting schools on first and follow-up reviews in accordance with paragraphs (e)(2)(ii) and (i)(2)(ii) of this section.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

7. STATE AGENCY REVIEW CRITERIA (Continued)

7 CFR 210.18 (e)(2)(ii) states, in part:

When the number of schools selected on the basis of the criteria established in paragraph (A) through paragraph (C) of this paragraph are not sufficient to meet the minimum number of schools required under paragraph (e)(1) of this section, the schools selected for review shall be selected on the basis of State agency criteria which may include low participation schools, recommendations from a food service director based on findings from on-site visits or the claims review process required under Sec. 210.8(a) of this part; or any school in which the daily lunch counts appear questionable, e.g., identical or very similar claiming patterns, and/or large changes in free lunch counts.

The Department did not have documented State criteria for selecting schools for initial review in accordance with 7 CFR 210.18 (p)(1) for the 1,400 subrecipients participating in the Child Nutrition Cluster programs. One consultant within the Division of Child Nutrition is responsible for determining which schools will have an initial on-site review conducted by the Department for the National School Lunch Program and the selection criteria is not standardized.

Without documented criteria for selecting which schools will have an initial on-site review, the Department risks losing its intellectual capital should the consultant responsible for the selections resign or retire. In addition, assurance cannot be provided that all schools selected for initial on-site reviews are evaluated against the same risk factors, allowing for the possibility of over looking a problem school building. According to the Director of Child Nutrition Services, the Department has an experienced consultant who is familiar with the laws and regulations for the National School Lunch Program responsible for selecting schools for the initial on-site reviews of school food authorities and did not see the need of having and using documented criteria to select schools.

We recommend the Department establish and document a set of criteria for selecting schools for the initial on-site review. The criteria should be devised after assessing the potential risks to which schools are subject in order to provide reasonable assurance that each school is consistently and effectively evaluated.

8. SUSPENSION AND DEBARMENT

<i>Finding Number</i>	1999-EDU08-012
<i>CFDA Number and Title</i>	All Programs Administered by the Department
<i>Federal Agency</i>	Departments of Agriculture and Education

NONCOMPLIANCE

7 CFR 3017.510(b)(1) and 34 CFR 85.510(b)(1) state, in part:

Each participant shall require participants in lower tier covered transactions to include the certification in Appendix B to this part for it and its principals in any proposal submitted in connection with such lower tier covered transactions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

8. SUSPENSION AND DEBARMENT (Continued)

7 CFR 3017.510(b)(2) and 34 CFR 85.510(b)(2) state, in part:

A participant may rely upon the certification of a prospective participant in a lower tier covered transaction that it and its principals are not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction by any Federal agency, unless it knows the certification is erroneous. Participants may decide the method and frequency by which they determine the eligibility of their principals.

The Department of Education did not obtain suspension and debarment certifications as follows:

Grant	CFDA	Number of Subrecipients without a Valid Suspension and Debarment Certification	Number of Subrecipients
Child and Adult Care Food Program	10.558	8 of 40 tested	690
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	20 of 20 tested	1,400
Vocational Education	84.048	20 of 20 tested	94

Without obtaining the necessary suspension and debarment certifications, the Department risks providing Federal awards to entities that are suspended or debarred from participation in Federal programs which could potentially result in a disallowance of costs, annulment or termination of the award, issuance of a stop work order and/or debarment or suspension from receiving Federal awards.

According to the Nutritional programs fiscal consultant, she was not aware the requirement applied to subrecipients. According to the Child and Adult Care Food Program Assistant Director, the certifications were not obtained for the family day care homes participating in the program due to an oversight. According to the Vocational Education fiscal officer, they have revised the forms for future periods but did not change the form for the year audited.

We recommend the Ohio Department of Education require that all subrecipients receiving Federal awards from the Department complete and sign the suspension and debarment certification in 7 CFR 3017.510 Appendix B and 34 CFR 85 Appendix B at the time of application in order to comply with Federal laws and regulations pertaining to suspension and debarment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

9. DATA PROCESSING - APPLICATION DEVELOPMENT AND MAINTENANCE

<i>Finding Number</i>	1999-EDU09-013
<i>CFDA Number and Title</i>	All Programs Administered by the Department
<i>Federal Agency</i>	Departments of Agriculture and Education

INTERNAL CONTROL - REPORTABLE CONDITION

The use of formal, well documented procedures for computer application development and maintenance is vital for communicating management's operational goals and intentions to programming personnel as well as training new staff. Such written procedures can help ensure that computer applications developed or modified by programming management perform accurately, efficiently, and meet management's requirements. The procedures should cover such areas as programming standards, naming conventions, methodology description, schedules and budgets, design standards, approval procedures for users, approval procedures for data processing management, and testing standards.

The Department did not have written procedures to track the program change request process from the initial assignment of a project through to the project's completion for application modifications related to the Education Management Information System (EMIS), Child Nutrition System (CNS), Vocational Education (VOC-ED), and the School Foundation Fund. In addition, programming management did not prepare formal schedules or budgets for development or maintenance projects.

Without formal procedures for application development, critical data processing applications could be improperly designed, modified or implemented.

According to the Assistant Director of Information Management Services, due to time and cost constraints, the Department's programming management had not developed and implemented formal standards for the various stages of the application program change process. Instead, the procedures were maintained informally.

We recommend that formal standards for the program change request process be established throughout the entire life cycle. Each phase of the life cycle should be planned and controlled, comply with the developed standards, be adequately documented, be staffed by competent personnel, and have project checkpoints and sign-offs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

1. CASH MANAGEMENT

<i>Finding Number</i>	1999-BES01-014
<i>CFDA Number and Title</i>	17.246 - Employment and Training Assistance: Dislocated Workers 17.250 - Job Training Partnership Act
<i>Federal Agency</i>	Department of Labor

NONCOMPLIANCE

U.S. Treasury regulations in 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), require State recipients to enter into agreements which prescribe specific methods of drawing down (funding techniques) Federal funds for selected large programs. The State-administered JTPA/EDWAA federal program is subject to a CMIA Treasury/State agreement, which states the "State shall request funds such that they are credited to a State account not more than two business days before making disbursements." When the entity also acts as a pass-through agency for federal funding, it is the responsibility of the entity's management to institute an effective internal control system which requires the implementation of processing procedures that promote the consistent and timely processing of requests in order to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement to subrecipients of program funding.

Two of the three months selected for testing showed the Bureau maintained excessive daily balances. During September 1998, the Bureau maintained an average daily balance of \$ 959,189 with the average daily expenditures of \$481,657 (nearly twice their immediate need); during December 1998, the Bureau maintained an average daily balance of \$392,567 with the average daily expenditures of \$318,595 (more than 1.2 times their immediate needs).

In addition, 13 of the 60 (22 percent) draw down requests tested indicated the money was not disbursed within the required two business days after being requested. Most of these disbursements occurred one day later than allowed, although one disbursement occurred three business days later than allowed. Per discussion with an employee at the state Office of Budget and Management (OBM), which is responsible for entering into the Treasury/State agreement on behalf of the State as well as calculating any interest liability for the State, the Bureau incurred interest charges of \$16,274 for the EDWAA program and \$36,040 for the JTPA program during FY 1999.

By not establishing effective procedures for minimizing the cash balance to cover only the program's immediate needs, the Bureau risks not being in compliance with the Cash Management requirements and thereby losing federal funding or incurring questioned costs, although no related costs were questioned during this period. Also, for each day after the required two day disbursement requirement, the State is responsible for paying interest to the federal government.

The excess average daily balance was caused by inaccurate estimates of the Bureau's cash needs. OBES estimates the amount of their immediate needs based on the amount of vouchers processed the previous two days, the current cash balance, and the amount of accounts payable. When the Bureau became aware of this condition in February 1999, it altered the method used to estimate its cash needs. Management believes the new process will eliminate the deficiency; we did not note an exception for the one month we tested under the new method. Also, the Bureau has a general understanding or special arrangement with OBM to process vouchers from the JTPA/EDWAA federal program on a priority basis in order to meet the two day requirement of the CMIA. The Bureau has control over the preparation of the voucher, but has no control over the processing of the voucher, which is performed by OBM.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

1. CASH MANAGEMENT (Continued)

We recommend the Bureau reevaluate the current procedures in place and establish and implement appropriate internal control procedures to help ensure adequate estimates of the cash needs for the JTPA/EDWAA federal program. We also recommend the Bureau review the draw down requests that did not meet the federal requirement to determine whether the delay occurred at the Bureau or OBM and consider alternatives to comply with the requirement. One such alternative may be to urge OBM to renegotiate the Treasury/State CMA agreement to provide for a longer disbursement period to better accommodate the clearance patterns.

2. SUBRECIPIENT MONITORING

<i>Finding Number</i>	1999-BES02-015
<i>CFDA Number and Title</i>	17.246 - Employment and Training Assistance: Dislocated Workers 17.250 - Job Training Partnership Act
<i>Federal Agency</i>	Department of Labor

NONCOMPLIANCE

20 CFR 627.480 refers to the Office of Management and Budget's Circular A-133, which states, in part:

.400 Responsibilities.

(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the federal awards it makes:

- (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 of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 or more in Federal awards during the subrecipient's 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 adjustments 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

2. SUBRECIPIENT MONITORING (Continued)

.405 Management Decision.

(a) General. The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee.

Under the JTPA/EDWAA federal program, the Bureau awarded 36 grants to subrecipients or Service Delivery Areas (SDA) for PY 96 and 34 grants for PY 97. The Bureau prepares an Audit Tracking Log to help determine the SDAs fiscal year, due dates of audit reports, and other monitoring information. The following deficiencies were noted in the Bureau's monitoring activities:

- The Bureau did not receive the required subrecipient audit reports timely from two of the ten SDAs tested. One audit was due 2/23/99 but not received until 3/4/99, while the other was due 1/31/99 but not received until 2/11/99.
- The Bureau did not timely review and issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipients took appropriate and timely corrective action for 35 of the PY 96 SDAs and 23 of the PY 97 SDAs. The number of days in excess of the required deadline before the Bureau made an "initial determination" ranged from 10 to 401 days. As of 11/10/99, the date of the test, the Bureau had not yet made a "final determination" for 10 of the PY 96 SDAs and 11 of the PY 97 SDAs.
- One PY 96 SDA was granted two extensions, one until 4/30/98 and another until 6/30/98, even though the original due date for the audit report was not until 7/31/98. The report was received on 7/13/98.
- The PY 97 Audit Tracking Log listed the incorrect due date for 22 of the SDAs. These were shown with a 7/1/99 due date when they should have been 7/31/99. In addition, two other SDAs were listed with the wrong fiscal years; one was shown as 7/1/97 to 6/30/98 when it should have been 1/1/97 to 12/31/97, while the other was shown as 1/1/97 to 1/31/97 when it should have been 1/1/97 to 12/31/97.

Without sufficient monitoring procedures, the Bureau cannot ensure the requirements of Circular A-133 have been met. Moreover, if the Bureau is not in compliance, federal funding could be reduced or taken away, or sanctions imposed by the federal grantor agency. Noncompliance could also result in the Bureau having to repay part or all of the grant awards to the federal government, although no related costs were questioned during this period.

Management stated these conditions was caused by the Bureau's Power Ohio Division having insufficient personnel to perform monitoring procedures during the related time periods. In addition, one of the PY 97 SDAs with the wrong fiscal year was in the process of changing its fiscal year; the new fiscal year was shown instead of the old and then current fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

2. SUBRECIPIENT MONITORING (Continued)

We recommend the Bureau assess the adequacy of their controls over subrecipient monitoring to determine if the controls and personnel resources are sufficient to comply with the federal requirements. We also recommend the Bureau use the controls to properly monitor their subrecipients and resolve any subrecipient audit findings in a timely manner in compliance with Circular A-133. We recommend the Bureau designate an employee other than the preparer to review the Logs for accuracy and completeness. In addition, the Bureau should consider and implement the practice of withholding future awards to subrecipients who are not in compliance with the federal audit provisions.

3. PROPERTY MANAGEMENT

<i>Finding Number</i>	1999-BES03-016
<i>CFDA Number and Title</i>	All Programs Administered by the Bureau
<i>Federal Agency</i>	Department of Labor

NONCOMPLIANCE

29 CFR 97.32 (b) states:

A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures.

Section J 1 of the State's Property Inventory Directive 96-02, prepared by the Department of Administrative Services, requires that, in addition to state requirements, state agencies must also adhere to federal guidelines and rules for inventory requirements. The federal Common Rule, Subpart C, Section .32, Paragraph (d) states:

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Per the coding used on vouchers, which are maintained only for a limited number of years, the Bureau has a method in place to distinguish between assets purchased with federal money and those purchased with state money. However, except for newly acquired assets, the Bureau's inventory records do not sufficiently identify the portion of an asset's total cost paid from each funding source, nor do the records indicate the particular federal program that paid for all or part of the inventory asset. Two of the 20 (10 percent) inventory items tested did not include this information. In October 1998, the Bureau put into use a new inventory system, which has the capability of providing this information, but since the information was not available under the old legacy inventory system, the new system does not list the funding source and specific federal programs for the majority of assets.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

3. PROPERTY MANAGEMENT (Continued)

Other weaknesses noted with the inventory process include the following items:

- One of the inventory controls identified was that a yearly physical inventory be performed and the results certified by the designated cost center manager within the specified period. Two of the 12 (17 percent) cost centers tested did not submit the certification timely. Information from the cost centers is used to prepare the annual agency inventory certification.
- Of 20 items tested, discrepancies were noted between the inventory record and an inspection of the physical item.
 - ▶ A monitor was recorded as a computer.
 - ▶ Two items were recorded with the incorrect cost center location.
 - ▶ Seven items could not be located.
- A capital lease purchase item, valued at \$ 75,910 and purchased in August 1998, was not recorded on the inventory records as of October 1999, over a year later.

As a result of the inability to sufficiently identify the portion of assets purchased with state and federal money, the Bureau cannot determine how much residual value may be required to be returned to the federal grantor agency at the time of the asset's disposal. Inaccurate, incomplete and untimely recording of individual assets increases the risk that inventory records will not be accurate, complete and reflect the actual assets owned by the Bureau.

Management indicated the Bureau's older fixed asset system did not have the capability to separate percentages of state and federal participation used to acquire an asset nor to identify the federal program name and federal CFDA number used to acquire an asset; therefore, this information was not included in the new system. Although this information may be able to be obtained from expenditure documents, it is not very readily available nor is it retained indefinitely. The new Fixed Asset Management Division is still in its infancy, and did not realize the errors noted had occurred.

We recommend the Bureau contact the Department of Labor to obtain written guidance on how to handle the lack of information on the funding source and program participation of the older asset items. During the interim, the Bureau should enter this required information from the expenditure documents that it still has available to it. Moreover, we recommend the Bureau stress to the cost center managers the importance of submitting timely, accurate and complete information for inclusion into the agency's inventory records.

4. UNTIMELY REPORT SUBMISSION

<i>Finding Number</i>	1999-BES04-017
<i>CFDA Number and Title</i>	17.225 - Unemployment Insurance
<i>Federal Agency</i>	Department of Labor

NONCOMPLIANCE

The Bureau is required by federal regulations to report program expenditures and other data to the federal grantor agencies on a regular basis. As the federal grantor for the Unemployment Insurance (UI) federal program, the Department of Labor has established the following requirements regarding reporting:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

4. UNTIMELY REPORT SUBMISSION (Continued)

The UI-3 worksheet and SF 269 [Financial Status Report] are due within 30 days after the end of the reporting quarter. [Chapter II, § II, D of the ET Handbook No. 336, Unemployment Insurance State Quality Service Plan (SQSP) Planning and Reporting Guidelines, 16th edition]

The ETA-227 [Overpayment Detection and Collection Activities] report is due quarterly on the first day of the second month after the quarter of reference. [Page IV-3-5 of the ET Handbook No. 401, Unemployment Reports Handbook, 2nd edition]

The ETA 581 report for each calendar quarter is due in the Employment and Training Administration National Office on the 20th day of the second month following the quarter to which it relates, i.e., May 20, August 20, November 20, and February 20. [Page of the ET Handbook No. 401, Unemployment Reports Handbook, 2nd edition]

The Bureau did not submit the following reports to the Department of Labor within the required deadlines, as indicated by the following table:

Report	Reports Tested	Quarter(s) Late	Due Date	Date Submitted	Days Late
ETA 581	4	December 1998	February 20, 1999	March 15, 1999	23
ETA 227	4	December 1998	February 1, 1999	February 2, 1999	1
UI-3	4	December 1998 June 1999	January 30, 1999 July 30, 1999	February 1, 1999 August 4, 1999	2 5

Noncompliance with the Department of Labor's requirements for submitting and preparing the reports by the required deadline could result in the loss of federal funds for the program or delay reimbursement for completed activities. Moreover, future funding could be adversely affected if inaccurate information is used by the federal government to determine award amounts. Management stated the late submissions were caused by additional time needed to prepare the reports due to multiple divisions being involved in their preparation. The UC Tax/Contribution Division and UC Program Liaison Division process the reports before forwarding them to the Labor Market Information Division for final completion.

We recommend the Bureau review the Department of Labor requirements for preparing and submitting these reports and institute monitoring and control procedures to reasonably ensure they submit the reports by the established filing deadlines. One method this could be achieved is by maintaining a tickler file with the report filing dates or a checklist for those employees responsible for preparing, reviewing, and submitting the reports. Another method this could be achieved is by the Bureau providing specific training and instructions to employees who assume new responsibility in the reports submission process. Another alternative is that the Bureau request extensions from the federal grantor agency when they know they aren't going to submit the reports timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO BUREAU OF EMPLOYMENT SERVICES

5. USE OF TRANSMITTAL LETTER

<i>Finding Number</i>	1999-BES05-018
<i>CFDA Number and Title</i>	17.225 - Unemployment Insurance
<i>Federal Agency</i>	Department of Labor

NONCOMPLIANCE

26 CFR 31.3302 (a) - 3(a) requires states to annually certify for each taxpayer the total amount of contributions required to be paid under state law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the FUTA tax. Section 5.07 of the Internal Revenue Service Guide for Computerized Certification of State FUTA Credits (Document 6581) states "All state agencies are utilizing magnetic tape to certify FUTA credits. A transmittal letter (Exhibit 1) should be used by all state agencies to forward the certification data to MCC [Martinsburg Computing Center]. ... A second copy of the transmittal letter will be also sent to the appropriate FUTA Coordinator."

Although the Bureau submitted the Certification and tape for calendar year 1998 timely in April 1999, it did not include a transmittal letter with the tapes. The transmittal letter includes space for a certification number, type of record data, signature of releasing official, and other information. As a result, the Bureau hasn't complied with the requirement, which could cause the tapes to be lost, misplaced or delayed in their arrival.

This condition occurred because the Bureau's employees responsible for submitting the tapes stated they considered the use of the transmittal letter optional instead of mandatory.

We recommend the Bureau take appropriate steps to ensure the persons responsible for submitting the tapes are aware of the existence of and need to use and do actually use the required transmittal letter.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HEALTH

1. SUBRECIPIENT MONITORING

<i>Finding Number</i>	1999-DOH01-019
<i>CFDA Number and Title</i>	CFDA 10.557 - Special Supplemental Food Program for Women, Infants, and Children
<i>Federal Agency</i>	Department of Agriculture

NONCOMPLIANCE

The Office of Management and Budget's Circular A-133 states, in part:

.400 Responsibilities.

(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the federal awards it makes:

1. 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 of contracts or grant agreements and that performance goals are achieved.
2. Ensure that subrecipients expending \$300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
3. 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.
4. Consider whether subrecipient audits necessitate adjustments of the pass-through entity's own records.
5. 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.

.405 Management Decision.

(a) General. The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HEALTH

1. SUBRECIPIENT MONITORING (Continued)

The Department has 76 subrecipients of the Women, Infants, and Children (WIC) program; of these, 44 subrecipients met the audit requirements of Circular A-133. The Department did not receive and review all of the required WIC program subrecipient audit reports, due in state fiscal year 1999, or ensure the subrecipients took appropriate and timely corrective action on audit findings. Testing in this area indicated the following conditions:

As of November 1999, two of the subrecipients did not have a current report on file at the Department; furthermore, 15 submitted their reports late. Also, the Department did not review 19 of the received reports on a timely basis per Circular A-133, did not determine that timely corrective action was taken by subrecipients for 17 audit reports, and may not have reflected in Department records the effects of noncompliance for the same 17 audit reports. Funds disbursed to this program's subrecipients during calendar year(s) 1997 and/or 1998, for which an audit report would have been due in fiscal year 1999, approximated \$ 108,777,306 program expenditures.

In addition, the Department lacks sufficient policies and procedures to identify risks and determine risk assessments associated with the program subrecipients.

Without sufficient monitoring procedures, the Department cannot ensure the requirements of Circular A-133 have been met. Moreover, if the Department is not in compliance, federal funding could be reduced or taken away, or sanctions imposed by the federal grantor agency. Noncompliance could also result in the Department having to repay part or all of the grant awards to the federal government, although no related costs were questioned during this period.

The condition was caused by the Department's Internal Audit Section and Grants Administration Section, which have the responsibility for monitoring WIC subrecipients, lacking sufficient policies and procedures to identify risks and determine risk assessments of the subrecipients to ensure that subrecipient audit reports are received in a timely manner. Furthermore, the department has not adequately monitored the controls in place to follow up on these audit reports to ensure timely desk reviews are performed. In addition, the Department has not implemented controls to address any potential follow-up action by the subrecipient and/or the Department.

We recommend the Department assess the adequacy of their controls over subrecipient monitoring to determine if the controls are sufficient to comply with the federal requirements. We also recommend the Department use the controls to properly monitor their subrecipients and resolve any subrecipient audit findings in a timely manner in compliance with Circular A-133. In addition, the Department should consider withholding future awards to subrecipients who are not in compliance with the federal audit provisions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

1. FOSTER CARE - UNALLOWED MAINTENANCE CHARGES

<i>Finding Number</i>	1999-HUM01-020
<i>CFDA Number and Title</i>	93.658 - Foster Care
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNALLOWABLE

\$1,393,067

42 U.S.C. §675 (4)(a) states:

The term "foster care maintenance payments" means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. In the case of institutional care, such term shall include the reasonable cost of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence.

In response to a prior year questioned cost, the U.S. Department of Health and Human Services (HHS) instructed the Ohio Department of Human Services (ODHS) to revise their practice of classifying non-maintenance expenses (reimbursable from the federal government at 50%) as maintenance expenses (reimbursable at 58%) on Title IV-E private family foster care facilities' cost reports; and to make a series of adjustments beginning with the June, 1999 quarter. As a result, ODHS made an estimated adjustment on their June 30, 1999 IV-E 12 report to reduce the amount of federal reimbursement requested by \$617,657. ODHS then reclassified the unallowable maintenance costs to administration on the ODHS 2910 reports used to calculate the rates for reimbursement for private foster care facilities. ODHS applied these adjusted rates to those costs associated with services occurring after April 1, 1999 and determined the amount of overpayment to be only \$313,752, therefore, no additional adjustment were made. However, the ODHS calculations did not take into consideration those non-maintenance costs for services occurring prior to April 1, 1999 which had been reimbursed during fiscal year 1999 at the higher maintenance rate. These amounts represent a net overcharge of federal Title IV-E Foster Care funds of an estimated \$1,393,067, resulting in questioned costs. This figure was calculated by multiplying the total estimated amounts for three months (based on amounts and percentages from the ODHS payment information) by four to determine an annualized estimate, and subtracting the \$617,657 adjustment made.

If appropriate adjustments are not made to correct overcharges, ODHS may be subjected to penalties or sanctions which may jeopardize future federal funding and limit their ability to fulfill program requirements to provide foster care services to children in need. ODHS personnel indicated they interpreted the HHS request to apply only to those service dates after April 1, 1999 and, therefore, believed they had complied with the HHS request.

We recommend ODHS revise their adjustment calculations to capture all services dates for which federal reimbursement was received during fiscal year 1999 using the incorrect rate and adjust future rates to properly classify maintenance and non-maintenance costs. We also recommend ODHS obtain additional guidance from HHS regarding any additional adjustment which may be required.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

2. FOSTER CARE - INCOMPLETE MONITORING

<i>Finding Number</i>	1999-HUM02-021
<i>CFDA Number and Title</i>	93.658 - Foster Care
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNDOCUMENTED

\$ Pending

OMB Circular A-133. § ____, 300 states, in part, the auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The Ohio Department of Human Services is responsible for administering the State's Foster Care Program which includes approximately \$49 million in payments to private family foster care facilities. These facilities receive federal reimbursements for each child they place with a foster family and are responsible for making payments to those families. The fees paid to the private family foster care facilities are calculated based on financial information they submit on the ODHS 2910 report which identifies the administrative and maintenance costs associated with the placements. During fiscal year 1999, the Rate Setting Unit within the Bureau of Resource Management performed limited desk reviews of these cost reports which involved checking the forms for mathematical accuracy and comparing current year information to the previous year. In addition, the Department's audit group started audits of 12 ODHS 2910 forms submitted during fiscal year 1998 reporting 1997 financial information, however, none of these audits were completed. Therefore the procedures in place were not sufficient to determine if the amounts reported on the ODHS 2910 reports were accurate, complete, properly categorized, and representative of actual expenses incurred by the facilities in placing the children, or that rates calculated from these amounts were appropriate. Based on procedures performed in special audits of some of these facilities, we were able to gain some assurance that amounts actually paid to the foster families for room and board were reasonably accurate. However, we were unable to verify the amounts paid to these facilities for non-room and board costs, estimated to be \$21,938,683, were accurate. Since the Auditor of State, in conjunction with ODHS, is currently in the process of performing individual audits of the 25 larger facilities, selected based on risk and reflecting approximately 80% of the dollars paid to the 2910 facilities, questioned cost amounts will not be included in this report, but will be reported separately in each individual facility audit report. These reports are estimated to be released on June 30, 2000.

Without reasonably ensuring the accuracy and completeness of the information reported on the ODHS 2910 costs reports, the risk is greatly increased that unallowable costs will be included causing the facility reimbursement rates to be inflated. As a result, the risk that payments made to these private family foster care facilities would be unallowed, resulting in an over-claim of federal financial assistance, is also greatly increased. Therefore, ODHS may have to repay over-claimed amounts to the US Department of Health and Human Services, which may subject them to fines and penalties. ODHS Bureau of Resource Management maintained that monitoring Title IV-E maintenance payments is the responsibility of the county public children services agencies (PCSA's) because the program is State-supervised, county-administered. However, ODHS administrative management personnel have indicated they are in the process of evaluating this situation and making changes as appropriate.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

2. FOSTER CARE - INCOMPLETE MONITORING (Continued)

We recommend ODHS monitor Title IV-E payments to private family foster care facilities to reasonably ensure they are only for allowed activities. This may include, but is not limited to, reconciling the ODHS 2910 cost reports to audited financial statements of the facilities, and/or independently testing Title IV-E private family foster care facilities on a sample basis to determine whether:

- maintenance and administrative costs reported are accurate, complete, and allowable;
- costs reported are properly categorized;
- discrepancies, if any, were explainable and reasonable under the circumstances; and
- further actions, such as recovery for overpayments or rate adjustments, are needed.

In their Corrective Action Plan on page 234, the Department indicates this report incorrectly states that 12 audits were not completed. However, no audit reports or other documentation were presented during the audit to substantiate the reviews were completed.

3. MEDICAID - DRUG REBATE PAYMENTS

<i>Finding Number</i>	1999-HUM03-022
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COSTS - UNALLOWABLE

\$9,468

OMB Circular A-87, Attachment A requires charges to federal programs be net of all applicable credits. "Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate". The Pharmacy Services Unit follows the Health Care Financing Administration's (HCFA) guidance on all Medicaid drug rebate issues. The HCFA release No. 26 requires manufacturers to calculate and pay interest "for all rebates not paid in a timely manner..." The release also places the responsibility to collect interest due and report those amounts to HCFA with the State. As such, it is management's responsibility to design and implement control procedures to reasonably ensure all rebate payments have been properly calculated, submitted timely, and include any interest owed.

Of the 40 receipts selected for testing from the 1,500 processed during the audit period, 27 were not paid within 30 days of mailing, as required. For 22 of the 27 late payments, interest was not calculated and paid by the manufacturer and not pursued by ODHS, resulting in questioned costs of \$9,468. In addition, internal controls over drug rebates totaling approximately \$139 million were not being consistently applied to ensure timely billing and collection of drug rebates, as indicated below:

- for five of five quarters tested, the rebate invoice was not mailed within 60 days after the end of the quarter;

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

3. MEDICAID - DRUG REBATE PAYMENTS (Continued)

- supporting documentation was not available for 19 of 40 invoices, therefore, we were unable to determine if adjustments were reasonable and properly coded, or to ensure zero rebates were either calculated or explained by the labeler; and
- for four of 31 receipts tested, the Pharmacy Services Unit Administrator did not complete the Summary Sheet for Rebate Reconciliation to evidence his review of the reconciliation submitted by the labeler.

By failing to collect the accurate amount of late drug rebate interest from manufacturers, the Department forfeits revenue to which it is entitled, directly reducing the amount of funding available to finance operations and/or program activities. Furthermore, any penalties that may be imposed by HCFA for noncompliance with program procedures could further reduce available funding.

The Pharmacy Services Administrator indicated the missing support documentation had been sent to a storage location to be archived; the Department tried to retrieve the information, but it could not be located. He also indicated the current practice is to only review the complex labeler reconciliations.

We recommend the Department implement and/or strengthen control policies and procedures related to the collection of interest on late drug rebate payments to provide reasonable assurance that all interest is properly calculated and submitted by the manufacturers in accordance with the HCFA Release No. 26. This would include ensuring all invoices are mailed within 60 days after the end of the quarter (or within 22 days of the HCFA release date) and reviewing all labeler reconciliations. We also recommend the Department take appropriate steps to reasonably ensure all supporting documentation related to the drug rebates is maintained and readily accessible for review.

4. MISSING SUPPORT DOCUMENTATION - HAMILTON COUNTY

<i>Finding Number</i>	1999-HUM04-023
<i>CFDA Number and Title</i>	10.551/10.561 Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.575/93.596 - Child Care Cluster 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

<u>QUESTIONED COST - UNDOCUMENTED - TANF</u>	\$228,457
<u>QUESTIONED COST - UNDOCUMENTED - MEDICAL ASSISTANCE CLUSTER</u>	22,455
<u>QUESTIONED COST - UNDOCUMENTED - CHILD CARE CLUSTER</u>	276
<u>QUESTIONED COST - UNDOCUMENTED - FOOD STAMP CLUSTER</u>	266

7 CFR 272.1(f) states, in part: "Each State agency shall retain all program records in an orderly fashion, for audit and review purposes, for a period of 3 years from the month of the origin of each record. The State agency shall retain fiscal records and accountable documents for 3 years from the date of fiscal closure."

45 CFR 74.53 (b) states, in part: "Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report."

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

4. MISSING SUPPORT DOCUMENTATION - HAMILTON COUNTY (Continued)

The Hamilton County Department of Human Services (HCDHS) incurs expenses to operate various federal assistance programs and/or pay benefits to or on behalf of recipients for the Ohio Department of Human Services (ODHS). During fiscal year 1999, program expenditures were processed by both the fiscal and program sections within the Hamilton County Department of Human Services, then forwarded to the Hamilton County Auditor for warrant preparation. For the first six months of the audit period, the supporting documentation related to these payments was maintained at the HCDHS; as of January 1, 1999, the county changed its procedures and required expenditure supporting documentation for all county departments be forwarded with the voucher to the county auditor for filing. However, nine vouchers and supporting documentation selected for testing could not be located; all these items were processed after January 1999. Therefore, we could not determine if the expenditures were allowable for the programs, resulting in questioned costs, as indicated below:

- \$266 (projected to be approximately \$10,000) related to two of ten vouchers selected from the \$70,499 in total Food Stamp direct expenditures;
- \$222,891 related to two of ten vouchers selected from the \$1,815,815 in total TANF-OWF direct expenditures;
- \$5,566 (projected to be approximately \$63,000) related to two of ten vouchers selected from the \$1,727,966 in total TANF-PRC direct expenditures;
- \$276 (projected to be approximately \$200,000) related to one of 17 vouchers selected from the \$34,852,573 in total Child Care Cluster direct expenditures; and
- \$22,455 related to two of 10 vouchers selected from the \$10,746,451 in total non-payroll indirect cost charges related to public assistance programs (Food Stamps, TANF, Child Care, Social Services Block Grant, and Medicaid). Due to complexities with the ODHS cost allocation methodology, it would not be efficient to try to calculate which portions of the \$22,455 were allocated to each of these programs. Therefore, we have questioned the entire amount for the Medicaid Program.

Without documentation to substantiate the use of federal funds, the County Department of Human Services cannot reasonably ensure the costs charged to these programs were accurate, complete, and/or allowable. If uncorrected, additional questioned costs could be identified increasing the county's liability and potentially impacting federal funding to be received in future years.

Based on discussions with HCDHS Fiscal Personnel, the Hamilton County Auditor was overwhelmed with the amount of documentation they received when they took responsibility for filing the vouchers and supporting documentation for all county departments and fell behind in the filing process.

We recommend the Hamilton County Department of Human Services take the necessary actions to reasonably ensure all vouchers and related documents which support expenditures from federal programs administered on behalf of ODHS are properly maintained and readily accessible for review and/or reference. This could involve coordination with the County Auditor to ensure they are filing these records timely and accurately; and/or maintaining copies of the vouchers, invoice, and other supporting documents at the HCDHS.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

5. CLOTHING COST REIMBURSEMENTS - LORAIN COUNTY DEPARTMENT OF CHILDREN SERVICES

<i>Finding Number</i>	1999-HUM05-024
<i>CFDA Number and Title</i>	93.658 - Foster Care
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNALLOWED

\$22,222

45 CFR 95.517 (a) states, in part:

A State must claim Federal Financial Participation costs associated with a program only in accordance with its approved cost allocation plan.

Section 2.6 of the Child Welfare Waiver Demonstration states, in part:

the waivers do not apply to title IV-E administrative costs, which the State will measure and claim under current law and regulations and shall be cost neutral.

In addition, the County Administration for Programs Social Service Administrative Cost Distribution Agreement states, in part:

Social Services administrative costs include salaries, related compensation and operational costs inclusive of rent, leases, utilities, supplies, etc., for all employees assigned to social service/child welfare program areas. These costs are added to the Social Services related shared costs to form the Social Services administrative cost pool.

The Lorain County Department of Children Services reported \$61,509 in Foster Care clothing expenditures in the Social Services administrative cost pool for FY 1999. However, these were direct costs of the Foster Care Program and should have been covered by the program monies advanced to the county as part of their IV-E waiver. The Lorain County Department of Children Services will benefit and be reimbursed \$22,222 for reporting these Foster Care direct expenditures in the Social Services administrative cost pool. This amount was calculated by applying the Title IV-E percentages to the Social Services expenditures reported on the Fiscal Year 1999 quarterly reconciliations of the Social Services Random Moment Sampling. A portion of the \$22,222 was based on actual reimbursements received by the Lorain County Department of Children Services and a portion was estimated from the submitted Social Services expenditures reported on the third and fourth quarter reconciliations of the Social Services Random Moment Sampling.

By reporting these direct costs in the Social Services administrative cost pool, the Lorain County Department of Children Services was reimbursed for costs previously covered under their Title IV-E waiver allocations. Waiver allocations do not apply to title IV-E administrative costs. The Fiscal Director of the Lorain County Department of Children Services indicated that she was unaware that these costs should not be reported in the Social Services administrative cost pool.

We recommend the Lorain County Department of Children Services amend their current policies and procedures to reasonably ensure only allowable costs are included in cost pools. This would include eliminating the practice of including clothing and other maintenance type costs associated with the Foster Care program in the cost pool. We also recommend the County implement monitoring controls to provide assurance the established policies and procedures are being applied consistently.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

6. MONITORING SUBRECIPIENTS - LORAIN COUNTY DEPARTMENT OF HUMAN SERVICES

<i>Finding Number</i>	1999-HUM06-025
<i>CFDA Number and Title</i>	93.667 - Social Services Block Grant
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNDOCUMENTED

\$475,324

OMB Circular A-133, Subpart D, §__400 (d) states, in part, that a pass through entity shall perform the following for the Federal awards it makes: "(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 of contracts or grant agreements and that performance goals are achieved."

The Lorain County Department of Human Services paid \$475,324 during FY 1999 to seven subrecipients to reimburse them for costs associated with the Social Services Block Grant (Title XX). These payments represented approximately 88% of the total direct cost disbursements for this program at Lorain County. Although procedures had been established requiring a review of the Title XX subrecipients' financial activity, no such monitoring occurred during the period of July 1, 1998 through June 30, 1999.

As a result, the Lorain County Department of Human Services cannot determine if these Federal funds were used for authorized purposes in compliance with laws, regulations, and the contract provisions, or that program objectives were met. In addition, county management cannot be reasonably assured that internal controls associated with these subrecipient programs are sound or that appropriate actions are taken to correct weaknesses. According to county management, they did not monitor the activities of Title XX subrecipients during FY 1999 due to staffing constraints.

We recommend the Lorain County Department of Human Services re-evaluate their current staffing needs to ensure appropriate resources are available to perform the required subrecipient monitoring procedures. We also recommend the County expand the scope of their procedures to include compliance testing designed to provide reasonable assurance these federal awards are used only for authorized purposes; are in compliance with laws, regulations, and the provisions of contracts or grant agreements; and that performance goals are achieved. These monitoring procedures could include on-site visits, review of documentation supporting requests for reimbursement, and/or limited scope audits to address one or more compliance requirements (i.e. activities allowed or unallowed; allowable costs/cost principles; eligibility; matching; see OMB Circular A-133, Section 230(b)(2) for additional information on limited scope audits). In addition, we recommend county management implement a system to track the status of the monitoring procedures performed and the status of any required corrective actions resulting from those procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

7. NO EVIDENCE OF SOCIAL SERVICES ELIGIBILITY - SUMMIT COUNTY

<i>Finding Number</i>	1999-HUM07-026
<i>CFDA Number and Title</i>	93.667 - Social Service Block Grant
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNDOCUMENTED

\$889,245

42 USC 1397 authorizes that federal funds will be appropriated for the purposes of consolidating Federal assistance to States for social services into a single grant, increasing State flexibility in using social service grants, and encouraging each State, as far as practicable under the conditions in that State, to furnish services directed at specified goals of Title XX - Block Grants to States for Social Services. The section of OMB's Catalog of Federal Domestic Assistance related to this program states "Beneficiary Eligibility: Under Title XX, each eligible jurisdiction determines the services that will be provided and the individuals that will be eligible to receive services." One of the responsibilities of the Summit County Department of Human Services (SCDHS), as an administrator of this federal program, is to determine eligibility of the program participants or monitor the activities of subrecipients or vendors who make such determinations.

During FY 1999, the SCDHS contracted with local area providers to determine the applicant's eligibility for Title XX services furnished by the provider. All of these providers were required to maintain case files to document the participant's eligibility and to submit a Provider Expenses form for Service Under Contract, a Title XX Service Summary, and a Roster of Social Services Delivered documenting the names of those individuals receiving Title XX services during the month. The Finance Department at the SCDHS used this information to reimburse the Title XX providers with Federal funds. However, we noted the SCDHS did not conduct any on-site monitoring reviews of these Title XX providers during our audit period of July 1, 1998 through June 30, 1999. Such reviews would normally be documented on a Title XX Eligibility Monitoring Worksheet. In addition, SCDHS itself did not have procedures in place to determine or verify eligibility of individuals receiving Title XX services from local providers prior to reimbursing those providers for services rendered. Therefore, we have questioned \$889,245 of the total \$1,268,218 Title XX expenditures of Summit County, which were reimbursed to those providers.

Without a review of the eligibility determinations made by the provider or the independent determinations made by the County, the risk that ineligible individuals may be receiving Title XX services without SCDHS' knowledge increases. According to the Contract Supervisor, providers are responsible for determining eligibility and, generally, the SCDHS will verify the eligibility of the individuals listed on the Roster of Social Services Delivered form at the time of the on-site review of the provider. However, SCDHS had spent most of state fiscal year 1999 performing reviews for the Child Care Development Fund providers and there was not enough time to perform reviews of the Social Services Block Grant providers.

We recommend the SCDHS determine whether their Title XX providers (those that determine an individual's eligibility to participate) are subrecipients or are vendors, in accordance with OMB Circular A-133, § __.210, which provides guidance on distinguishing between a vendor and a subrecipient. Two of the characteristics listed for a subrecipient are: 1) the organization determines who is eligible to receive federal assistance, and 2) has responsibility for adherence to applicable federal program compliance requirements. § __.400 (d) of the Circular lists a pass-through entity's responsibility. Two of these responsibilities listed are: 1) advise subrecipients of the requirements imposed on them by federal laws, regulations and contract or grant provisions; and 2) monitor the activities of the subrecipient to ensure that federal awards are used for authorized purposes. (§ __.105 of the Circular defines the terms subrecipient, vendor and pass-through entity.)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

7. NO EVIDENCE OF SOCIAL SERVICES ELIGIBILITY - SUMMIT COUNTY (Continued)

If the providers are determined to be subrecipients, we recommend SCDHS perform monitoring of these Title XX providers at least on an annual basis to determine whether they have complied with all material laws and regulations, including eligibility. If the SCDHS determines their Title XX providers are vendors, we recommend the County implement procedures to determine eligibility for all individuals receiving Title XX services and refer these individuals to the appropriate providers or establish a system to verify the eligibility of all individuals listed on the providers' Rosters of Social Services Delivered prior to disbursing funds to these providers.

8. UNALLOWABLE INDIRECT COSTS - SUMMIT COUNTY

<i>Finding Number</i>	1999-HUM08-027
<i>CFDA Number and Title</i>	93.558 - Temporary Assistance for Needy Families
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNALLOWED

\$1,674

OMB Circular A-87, Attachment A, Sections E 1 and F 1, respectively, state "Direct costs are those that can be identified specifically with a particular final cost objective", and "Indirect costs are those: (a) incurred for a common or joint purpose benefitting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved." At the county level, indirect costs generally include general administrative costs (e.g., income maintenance telephone expenses, general accounting, income maintenance payroll and equipment) and facility costs (e.g., rental costs, operations and maintenance) that are not treated as direct costs.

Six of 20 indirect cost vouchers tested, equaling \$22,511 from total Summit County Department of Human Services indirect costs of \$18,157,109, were for expenditures which directly related to the Temporary Assistance for Needy Families (TANF) program, and included expenditures for uniforms, clothes and car repairs spent to allow recipients to be employable under the JOBS program. As such, these expenditures, which totaled \$1,674, should not have been coded as indirect costs and are being questioned. Due to the complexities with the Department's cost allocation methodology, it would not be efficient to try to calculate which portions of the \$1,674 (projected to be \$1,350,229) were improperly allocated to non-TANF programs. Therefore, we have questioned the entire amount for the TANF program.

By charging to a cost pool, such costs were allocated to multiple federal assistance programs in addition to the TANF program. Those federal assistance programs charged include the Food Stamp Cluster, Medicaid Cluster, Child Care Cluster and Social Services Block Grant. Mis-coding expenditures will cause incorrect reporting of program expenditures and may lead to federal fiscal sanctions or may require the County to repay some or all of the grant awards. Management stated the vouchers were coded to the indirect cost pool because the Ohio Department of Human Services did not offer codes which would allow them to charge these type of expenditures to a specific program unless the county had a contract enacted with the vendor.

We recommend Summit County Department of Human Services contact the Ohio Department of Human Services and request codes be added to the list to allow the proper allocation of expenditures. We further recommend that, until the Ohio Department of Human Services expands their list of codes, Summit County Department of Human Services charge all direct expenditures to the applicable program in the code which is set up for contracted vendor services.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

9. MONITORING SUBRECIPIENTS - FRANKLIN COUNTY

<i>Finding Number</i>	1999-HUM09-028
<i>CFDA Number and Title</i>	93.667 - Social Services Block Grant
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNDOCUMENTED

\$3,515,398

OMB Circular A-133, Subpart D, § 400 (d) states, in part, that a pass through entity shall perform the following for the Federal awards it makes: "(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 of contracts or grant agreements and that performance goals are achieved."

During State fiscal year 1999, the Franklin County Department of Human Services (FCDHS) contracted with local area service providers to provide Title XX Social Services and determine the applicant's eligibility for the services. A total of \$3,515,398 was paid during fiscal year 1999 to the contracted service providers, who the FCDHS considers to be subrecipients. Although county management indicated procedures had been established to monitor the activities of the Title XX subrecipients, no such monitoring occurred during the period of July 1, 1998 through June 30, 1999.

As a result, the FCDHS cannot determine whether these federal funds were used for authorized purposes in compliance with the federal regulations, contract provisions, or objectives associated with the Social Services Block Grant program. In addition, county management cannot be reasonably assured that internal controls associated with these subrecipients are sound or that appropriate actions are taken to correct weaknesses.

FCDHS management indicated the procedures which had been performed in the past to monitor the contracts with the Title XX subrecipients were not conducted during fiscal year 1999 due to staffing and other resource constraints. FCDHS management identified the activities of the Title XX subrecipients to be lower risk, because of the limited number of problems with these providers over the years, and believed their limited resources would be more effectively used on higher risk areas where problems had been identified.

We recommend the Franklin County Department of Human Services re-evaluate their current staffing needs to ensure appropriate resources are available to perform the required subrecipient monitoring procedures. These monitoring procedures could include on-site visits, review of documentation supporting requests for reimbursement, and/or limited scope audits to address one or more compliance requirements (e.g., activities allowed or unallowed; allowable costs/cost principles; eligibility; matching). See OMB Circular A-133, Section 230(b)(2) for additional information on limited scope audits. In addition, we recommend county management ensure a system is in place to track the status of the monitoring performed and the status of any required corrective actions resulting from those procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

10. UNALLOWABLE SOCIAL SERVICE EXPENDITURES - FRANKLIN COUNTY

<i>Finding Number</i>	1999-HUM10-029
<i>CFDA Number and Title</i>	93.667 Social Services Block Grant
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST- UNALLOWABLE

\$742,640

45 CFR Subtitle A, §96.71 (a) states "Section 2005 (a)(2) and (a)(5) (42 U.S.C. 1397d (a)(2) and (a)(5)) of the Social Security Act establishes prohibitions against the provision of room and board and medical care unless, among other reasons, they are an "integral but subordinate" part of a State-authorized social service. "Integral but subordinate" means that the room and board provided for a short term or medical care is a minor but essential adjunct to the service of which it is a part and is necessary to achieve the objective of that service. Room and board provided for a short term shall not be considered an integral but subordinate part of a social service when it is provided to an individual in a foster family home or other facility the primary purpose of which is to provide food, shelter, and care or supervision, except for temporary emergency shelter provided as a protective service."

The Franklin County Department of Human Services entered into a contract in fiscal year 1998 to provide \$8 million of Social Services Block Grant (Title XX) funds to the Franklin County Public Children Services Agency. The majority of the contract expenditures for fiscal year 1999 were used by Children Services to pay the administrative costs of its case workers. However, \$742,640 of the contract payments during our audit period were for the purpose of providing room and board to children who were not eligible under Title IV-E. These costs are not allowable for the Title XX program and will be questioned.

Continued noncompliance with federal program guidance could result in sanctions and/or adversely affect future federal funding. The Franklin County Department of Human Services indicated they believed these costs were allowable because the State Social Services Block Grant plan developed by the Ohio Department of Human Services allowed these types of expenditures. Therefore, they were not aware the contract they entered into with Children Services was in violation of the federal regulations. Since the federal regulations override the State plan, we must question the amount of \$742,640.

We recommend the FCDHS work with the Ohio Department of Human Services to amend the current Social Services Block grant plan to eliminate the use of Title XX funds for room and board and other unallowed expenses. To avoid this situation in the future, we also recommend FCDHS independently research the federal requirements related to the Social Services Block Grant and other federal programs received to reasonably ensure they are aware of the federal compliance requirements related to these monies prior to entering into contracts and/or disbursing funds. FCDHS should then monitor the contracts to make sure the funds are being used for allowable purposes only.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

11. IMPROPER EXPENDITURES - FRANKLIN COUNTY

<i>Finding Number</i>	1999-HUM11-030
<i>CFDA Number and Title</i>	93.558 - Temporary Assistance for Needy Families
<i>Federal Agency</i>	Department of Health and Human Services

QUESTIONED COST - UNDOCUMENTED \$13,739
QUESTIONED COST - UNALLOWED \$3,764

Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Office of Management and Budget Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments", Attachment A, subsection C states, in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

3. Allocable costs.
 - a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

To determine the allowability of costs in accordance with the above requirements, each vendor payment made must be supported by a proper invoice from the vendor and be properly coded to identify the type of expenditure incurred and the program involved. In addition, it is important to process payments using consistent methods throughout the year and maintain documentation to support any payments that are not processed in the standard manner.

One of 10 TANF/Ohio Works First (OWF) expenditures tested did not have an invoice to support the payment to a vendor for \$13,739. The only documentation to support the payment was generated by the Franklin County Department of Human Services (FCDHS). This type of expenditure is normally processed through the computer, but in this case, the payment was processed manually. The County could not provide any documentation or explanation to support why the payment was processed manually. In addition, a line item on one of the 10 expenditures selected for testing was incorrectly coded. The line item totaling \$3,764 (projected to be \$17,838) was coded to a TANF/OWF account, but the expenditure should have been coded to a food stamp employment training (FSET) account. Our test included a total of \$250,355 OWF expenditures out of the total OWF expenditures of \$1,186,474 incurred during the audit period.

Without obtaining and maintaining a proper description of the services to be provided, the Franklin County Department of Human Services risks purchasing services from ineligible vendors or for unallowable purposes. It appears the fiscal department did not catch the incorrect coding during the processing of the invoice. As a result, the error was carried through to the payment.

To prevent similar errors from occurring in the future, management at the FCDHS should require that all payments be supported by an invoice approved by authorized personnel. The fiscal department should return any payment requests that are received without an authorized invoice; and should be required to verify each expenditure has been coded correctly before making the payment, and to provide an explanation for any payments made that are not consistent with the other payments made during the year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

12. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - DUE DATES

<i>Finding Number</i>	1999-HUM12-031
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

NONCOMPLIANCE

Federal regulations require states to maintain an IEVS system, as indicated below:

7 CFR 272.8(a)(1) states, in part:

State agencies shall maintain and use an income and eligibility verification system (IEVS), ... as specified in this section.

7 CFR 272.8(i)(3) requires the State plan to:

For each of the data sources specified in paragraphs (c) and (f) of this section, a separate description of how the State agency will select (target) information items for the actions specified in paragraph (g) (1) of this section [which requires state agencies to take action on these items].

45 CFR 205.51(a) states, in part:

A State plan ... must provide that there be an Income and Eligibility Verification System...in the State.

45 CFR 205.56(a)(1) states, in part:

... States wishing to exclude categories of information items from follow-up must submit for the Secretary's approval a follow-up plan describing the categories of information items which it proposes to exclude.

In accordance with these sections, the Ohio Department of Human Services (ODHS) implemented IEVS and established their own targeting system for processing IEVS matches. The system procedures and due dates were outlined in "CRIS-E Flash #61" when IEVS was integrated within the Client Registry Information System - Enhanced (CRIS-E) computer system. ODHS CRIS-E Flash #61states:

ODHS intends to monitor CDHS [County Departments of Human Services] for both high and medium data exchange alerts to ensure compliance with state and federal regulations for timeliness and quality.

"CRIS-E Flash #61" specifies the due dates for completing IEVS alerts, depending on the program and the priority ranking assigned by the Department of Human Services (e.g., high, medium, or low). Low alerts are considered informational only and are not required to be processed although they are issued with a completion due date. The chart below details the "Flash #61" due dates and compares them with the due dates required by federal regulations and guidelines for those states not using their own targeting system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

12. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - DUE DATES (Continued)

Program	Priority Ranking	Federal Due Date (No. of days)	Flash #61 Due Date (No. of days)
Food Stamps	High	90	90
"	Medium	90	120
"	Low	90	180
Temporary Assistance for Needy Families	High	45	45
"	Medium	N/A	120
"	Low	N/A	180
Medical Assistance Program	High	45	45
"	Medium	45	120
"	Low	45	180

We selected five large counties representing approximately 45% of the nearly 1.9 million annual IEVS hits for testing related to the timely completion of IEVS alerts in accordance with the ODHS standards set forth in Flash #61; the results are summarized below.

Type of Hit	No. Tested	No. of Errors	Error Rate
High Priority	90	39	43.3%
Medium Priority	25	7	28.0%
Low Priority	10	3	30.0%
TOTAL	125	49	39.2%

Tardiness ranged from three to 545 days on high priority alerts, and 53 to 519 days for medium priority alerts. Thirteen of the 36 delinquent high priority, three of the seven medium priority, and one of the three low priority alerts were never addressed. The low priority item not addressed related to an item given to Montgomery County for a case outside their county. Based on these results, it appears the Ohio Department of Human Services was not completing IEVS alerts according to the time lines established in their state plan and documented in Flash #61. This increases the risk that benefits (totaling approximately \$543 million for Food Stamp, \$542 million for TANF, and \$6 billion for Medicaid) may be given to ineligible recipients or for inappropriate amounts, and may lead to delays in detecting such over-issuance, particularly since the largest error rates occurred in the high priority matches.

ODHS personnel stated the responsibility for addressing IEVS alerts rests with the counties under the State supervised, county administered approach; and ODHS did not have sufficient resources to effectively monitor county activities.

We recommend the Ohio Department of Human Services work with the counties to implement control policies and procedures which reasonably ensure that matches are completed by the due dates specified in "Flash #61; and that ODHS monitor the activities of the counties to determine if they are following the established controls and are complying with the due date requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

13. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - INADEQUATE DOCUMENTATION

<i>Finding Number</i>	1999-HUM13-032
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster
<i>Federal Agency</i>	Department of Agriculture

NONCOMPLIANCE

7 CFR 272.8(j)(2) states:

The State agency shall document as required by § 273.3(f)(6) its use of information obtained through the IEVS both when an adverse action is and is not initiated.

7 CFR 273.2(f)(6) states:

Case files must be documented to support eligibility, ineligibility, and benefit level determinations. Documentation shall be in sufficient detail to permit a reviewer to determine the reasonableness and accuracy of the documentation.

The Income and Eligibility Verification System (IEVS) compares income, as reported by the recipients, to information maintained by outside sources. Of the 125 IEVS hits tested from five County Departments of Human Services, 53 hits (37 high, nine medium, and seven low priority) lacked adequate documentation in the Client Registry Information System - Enhanced (CRIS-E) to explain how the items were resolved and the impact on the recipients' eligibility/benefits. Thirty-eight of these 53 related to social security matches for which the prior history is removed from the system after December 1 each year; and an additional 17 were not completed. Without adequate documentation, a reviewer cannot determine if an IEVS alert has been resolved accurately which may lead to benefits being issued to ineligible recipients or benefits paid in inappropriate amounts.

The noncompliance appears to be caused by inadequate supervision at counties to assure that detailed documentation for each alert resolution is in the case file and/or on CRIS-E. Additionally, counties have not implemented adequate policies and procedures for operating IEVS at the county level. County coordinators noted ODHS has not offered guidance to establish better controls at the local level.

We recommend the Ohio Department of Human Services work with counties to develop and implement a more thorough and consistent supervisory review process on the documentation of IEVS alert resolutions. The performance of this supervisory review should be documented to provide assurance to county and ODHS management the control is being performed. Additionally, formal county policies and procedures should be implemented which detail what is required for caseworkers to adequately document IEVS alert resolutions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

14. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - MONITORING BY ODHS

<i>Finding Number</i>	1999-HUM14-033
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

NONCOMPLIANCE

7 CFR 272.8(g)(4) states:

State agencies shall use appropriate procedures to monitor the timeliness requirements in paragraph (g)(2) of this section.

42 CFR 435.952(f) states:

The agency must use appropriate procedures to monitor the timeliness requirements of this section.

45 CFR 205.56(a)(1)(v) states:

The State agency shall use appropriate procedures to monitor the timeliness requirements specified in this subparagraph;

We noted the following weaknesses with regard to monitoring by ODHS of the nearly 1.9 million IEVS alerts given to the counties each year:

- No internal review section has performed a review of IEVS at the state or county level.
- The ODHS CRIS-E system cannot generate reports on processing timeliness, track match resolution outcomes or the costs associated with working matches, or other management data.
- ODHS has not developed or implemented performance standards (e.g, permissible error rates) to be used by the counties so that ODHS can monitor the quality of performance, although this proved effective in one test county that had implemented its own standards.
- ODHS has provided few standardized procedures for processing IEVS alerts at the county level. Each county may follow different procedures. The procedures issued by ODHS have not been updated since the issuance of Flash #61 July 1, 1992.
- ODHS has provided limited information specifically designed to enhance and standardize the efforts of the county IEVS coordinators and assist them in monitoring local level activities.

Without sufficient or accurate data, ODHS cannot make informed management decisions about the cost effectiveness or the overall effectiveness of IEVS. ODHS also cannot be reasonably assured that IEVS is being utilized at the county level as intended due to the divergent operating procedures at different counties. Federal fiscal sanctions in the form of fines and penalties against ODHS for high eligibility error rates could result.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

14. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - MONITORING BY ODHS (Continued)

ODHS personnel stated the responsibility for addressing IEVS alerts rests with the counties under the State supervised, county administered approach; and ODHS did not have sufficient resources to effectively monitor county activities.

Based upon the weaknesses identified, we recommend:

- ODHS continue work on their current cost-benefit analysis of IEVS.
- ODHS implement changes recommended by the IEVS Advisory Committee to enhance the management of IEVS in the counties and improve cost-benefit data availability.
- ODHS incorporate new data matches into the current IEVS system to allow compliance tracking to occur within the CRIS-E system and make IEVS more efficient.
- ODHS work with County IEVS Coordinators to establish standards for work processing and review at the county level.
- the ODHS Bureau of County Audits include a review of IEVS as part of their county-level audits.
- the ODHS Bureau of Internal Audits review IEVS operations at the state level.
- ODHS develop standard performance measures regarding error rates, time required to complete an alert, etc. to be used by each of the 88 counties.
- ODHS provide updated processing procedures to be used by all 88 counties in the administration of IEVS.

15. TEMPORARY ASSISTANCE TO NEEDY FAMILIES - SANCTIONS

<i>Finding Number</i>	1999-HUM15-034
<i>CFDA Number and Title</i>	93.558 - Temporary Assistance for Needy Families
<i>Federal Agency</i>	Department of Health and Human Services

NONCOMPLIANCE

42 U.S.C. 607 (e) states, in part:

(1) Except as provided in paragraph (2), if an individual in a family receiving assistance under the State program funded under this part refuses to engage in work required in accordance with this section, the State shall... reduce the amount of assistance or... terminate such assistance subject to good cause and other exceptions as the State may establish.

(2) Exception - a State may not reduce or terminate assistance under the State program funded under this part based on the refusal of an individual to work if the individual is a single custodial parent caring for a child who has not attained 6 years of age, and the individual proves that the individual has demonstrated inability ... to obtain child care.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

15. TEMPORARY ASSISTANCE TO NEEDY FAMILIES - SANCTIONS (Continued)

42 USC 608 (a)(2) states:

If the agency responsible for administering the State plan approved under part D of this subchapter determines that an individual is not cooperating with the State in establishing paternity or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and the individual does not qualify for any good cause or other exception established by the State pursuant to section 654(29) of this title, then the State -

1. shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part an amount equal to not less than 25 percent of the amount of such assistance; and
2. may deny the family any assistance under the State program.

It is management's responsibility to establish policies and procedures which reasonably assure compliance with these federal requirements and ensure appropriate supporting documentation is maintained.

As part of our testing for the Temporary Assistance to Needy Families (TANF) program, we attempted to obtain a listing, download, or other information which would identify specific sanctions imposed for the program at both the State and county levels. However, this information was not available at the state level, nor at four of the ten counties selected, therefore, we could not determine if the Department of Human Services was in compliance with these federal requirements.

Without accurate and accessible information regarding sanctions imposed, management cannot reasonably assure and/or monitor the Department's compliance with these program requirements. This increases the risk that benefits will be paid to individuals who are not eligible to receive them or for improper amounts. The Program Analysis Supervisor indicated limited information related to sanctions could be captured from the CRIS-E system, however, the current structure does not allow for this information to be identified by sanction type or by recipient.

We recommend the Department of Human Services maintain a listing, database, or other appropriate form identifying, by type, of all sanctions for the TANF program which should be used by management to monitor compliance with TANF program requirements. Additionally, ODHS program supervisors or other appropriate personnel should select a sample of these sanctions from the database and test periodically to ensure TANF benefits are not mistakenly reduced or terminated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

16. LACK OF CORRECTIVE ACTION

<i>Finding Number</i>	1999-HUM16-035
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.658 - Foster Care 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

NONCOMPLIANCE

OMB Circular A-133, §___,300 states, in part, the auditee shall:

(f) Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §___,315(b) and §___,315(c), respectively.

In the State of Ohio, the responsibility to implement appropriate control policies and procedures to evaluate each audit finding, develop a corrective action plan, and ensure appropriate corrective action is taken is given to the management of each department or agency.

Of the 53 comments included in the fiscal year 1999 State of Ohio Single Audit Report for the Department of Human Services, 26 relate to comments which were included in the prior year's report; many of these comments have been repeated for several years. This indicates that appropriate corrective actions were not taken to correct these items. The table below lists the most significant of these recurring issues:

COMMENT AREA	PROGRAM INVOLVED	COMMENT TYPE
Unallowable Maintenance Costs	Foster Care	Questioned Costs
IEVS - Due Dates	Food Stamps, TANF, Medicaid	Noncompliance
IEVS - Inadequate Documentation	Food Stamps, TANF, Medicaid	Noncompliance
IEVS - Monitoring by ODHS	Food Stamps, TANF, Medicaid	Noncompliance
Sanctions Documentation	TANF	Noncompliance
IEVS - Monitoring by Counties	Food Stamps, TANF, Medicaid	Material Weakness
IEVS - Training	Food Stamps, TANF, Medicaid	Material Weakness
Accuracy of CRIS-E Input	Food Stamps, TANF, Medicaid	Material Weakness
Manual Overrides of CRIS-E	Food Stamps, TANF, Medicaid	Material Weakness
Inadequate Monitoring	TANF	Material Weakness
SAS 70 Report	Food Stamps	Material Weakness

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

16. LACK OF CORRECTIVE ACTION (Continued)

Without appropriate corrective actions on audit report comments, the risk the Department will be subjected to fines or penalties or that funding will be reduced is increased. Based on our observations, the cause of these uncorrected items appears to stem from the fact that multiple individuals have been involved with preparing the corrective action plans. These individuals have not always agreed with the finding made, therefore have been unwilling to make changes; have not recognized the seriousness of these items; and/or have not devoted the resources necessary to implement the recommendations.

We recommend the Department form an audit committee to address audit findings and help ensure necessary corrective actions are taken. This committee should be comprised of top management-level personnel for each major section of the Department and should be responsible for: meeting with the auditors at the entrance conference and throughout fieldwork to gain an understanding of the scope of testing being performed, discuss exceptions noted, and address audit concerns;

- preparing a formal corrective action plan for each audit finding to be submitted to the Office of Budget and Management for inclusion in the overall State of Ohio Corrective Action Plan made part of the Single Audit Report; and
- ensuring appropriate follow-up and corrective actions are made to help resolve the audit findings and reduce/eliminate repeated comments.

17. UNAPPROVED INDIRECT COST ALLOCATION AMENDMENTS

<i>Finding Number</i>	1999-HUM17-036
<i>CFDA Number and Title</i>	Various programs administrated by the Department
<i>Federal Agency</i>	Various

NONCOMPLIANCE

Indirect cost are those costs that benefit common activities and, therefore, cannot be readily assigned to a specific direct cost objective or project. In order to recover indirect costs, organizations must prepare cost allocation plans (CAPs) or indirect cost rate proposals (IDCRPs) in accordance with the guidelines provided in OMB Circular A-87 and submit them to the Federal cognizant cost negotiation agency for approval. These plans are required by the terms of 45 CFR part 95, which incorporates OMB Circular A-87 by reference, and they must be revised and resubmitted to the Federal Government whenever an organizational or programmatic change invalidates the currently-approved allocation method. Specifically, 45 CFR 95.509 states:

- (a) The State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA [Division of Cost Allocation] if any of the following events occur:
 - (3) The State plan for public assistance is amended so as to affect the allocation of costs.

The Department's approved cost allocation plan for fiscal year 1999 identified various cost pools which captured expenditure data using selected reporting categories and spending responsibility centers (from the State's Central Accounting System) to allocate approximately \$170 million in indirect costs to various federal programs. However, each of the five cost pools tested (representing approximately 80% of the charges from the 29 pools in the plan) for 3rd quarter indirect charges included numerous instances where the spending

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

17. UNAPPROVED INDIRECT COST ALLOCATION AMENDMENTS (Continued)

responsibility centers actually charged did not agree with those identified in the CAP for that particular pool, as detailed below. Although these costs may have been allowable for allocation, there was no evidence to indicate these changes had been approved by the federal government.

Cost Pool	Major Program CFDA #	Spending Responsibilities Charged Not Included in CAP
01	All except 93.596/93.575	M521, M543, M561
05	All	DR32, DR50, DR52, F110, IA30, IA34, WD52
06	All	DR01, DR10, IA33, MS10, MS21, MS40, MS50, MS60, MS61, RP10, PR11, 22CI
15	10.551/10.561, 93.558, and 93.775/93.777/93.778	IA22, IA33, MS43, MS60, WD00
22	93.775/93.777/93.778	MD36, MD37, MD38, MS42, MS43, MS50, MS51, MS52, MS61

As a result, the risk is greatly increased that indirect costs could be allocated to incorrect federal programs or for improper amounts. This could subject the Department to questioned costs and/or penalties from the grantor agencies. The Cost Allocation Unit Supervisor stated the spending responsibility centers listed in the CAP may not be all-inclusive for a particular cost pool, and, depending on the circumstances, certain spending responsibility centers may apply to different cost pools in different quarters. Bureau of Accounting personnel, who are responsible for coding the expenditures and ensuring they agree to the CAP, could not explain the variances noted.

We recommend the Department amend its current practice of including expenditures in cost pools related to spending responsibility centers not specifically listed in the CAP for that pool. The Department should either identify in their initial CAP the list of spending responsibility centers which relate solely to the identified cost pools and those which may apply to varying cost pools; or submit a revised CAP for approval by the federal government which would include all possible spending responsibility centers chargeable to each pool. We also recommend the Department establish and/or strengthen policies and procedures to reasonably ensure the reporting categories and spending responsibility centers used in allocating indirect charges coincide directly with those listed in the approved CAP for each cost pool.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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18. SUBRECIPIENT MONITORING - MEDICAID

<i>Finding Number</i>	1999-HUM18-037
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

NONCOMPLIANCE

OMB Circular A-133, Subpart D, §__400 (d) states, in part, that a pass-through entity shall perform the following for the Federal awards it makes:

- (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 of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 or more in Federal awards during the subrecipient's 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.

During fiscal 1999, ODHS determined four state agencies, who receive approximately \$588 million in Medicaid funding, should be considered subrecipients. However, the Department did not implement procedures to monitor the activities of these subrecipients beyond the computer reviews performed by MMIS and CRIS-E of individual and provider/service eligibility. As a result, the Department is not in compliance with the subrecipient monitoring requirements of OMB Circular A-133, and cannot be reasonably assured these agencies have met the requirements of the Medicaid program. ODHS personnel indicated they were not fully aware of their responsibilities with regard to subrecipient monitoring, therefore, procedures were not established.

We recommend the Department review the requirements of OMB Circular A-133 and implement the necessary subrecipient monitoring procedures. These procedures should, at a minimum:

- include on-site monitoring and other procedures designed to provide reasonable assurance the subrecipients are in compliance with program laws, regulations, and requirements;
- be performed on a regular and on-going basis; and
- provide assurance appropriate corrective actions are taken to address errors or weaknesses identified.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

19. UNTIMELY SETS IMPLEMENTATION

<i>Finding Number</i>	1999-HUM19-038
<i>CFDA Number and Title</i>	93.563 - Child Support Enforcement
<i>Federal Agency</i>	Department of Health and Human Services

NONCOMPLIANCE

The Family Support Act of 1988 (FSA '88) outlined the broad policy guidelines for statewide automation in the child support enforcement program. The deadline for certification was mandated for October 1, 1995 with a federal sanction of 100% of the IV-D monies for compliance with the 850+ requirements. The deadline was subsequently moved to October 1, 1997 and then amended to a yearly certification review and a sliding scale of federal sanctions of 4% and escalating every year through 2002. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandated an additional 32 new SETS policy requirements, with mandatory implementation dates ranging from October 1997 to October 2000.

As of June 30, 1999, approximately 350,000 of the estimated 700,000 child support cases of the State had not been input onto SETS. This includes the material portions of the caseloads from all of the largest metropolitan counties in Ohio. In addition, various other program deficiencies, as discussed later in this report (including issues related to account reconciliations and system development life cycle), caused SETS to be incomplete and/or ineffective. As a result, ODHS has already incurred over \$30 million in sanctions and is subject to additional increasing sanctions until SETS is fully implemented.

ODHS management indicated the reasons for the untimely implementation of SETS are, in part, due to the size and complexity of this project. In addition, the original SETS contractor was terminated and the SETS project had to be reinitiated which lost valuable time in the development of the system.

We recommend the Department agency take the appropriate steps necessary to ensure that SETS is implemented by October 1, 2000 deadline extension to avoid any further federal sanctions.

20. UNREVIEWED FOOD STAMP REPORTS

<i>Finding Number</i>	1999-HUM20-039
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster
<i>Federal Agency</i>	Department of Health and Human Services

NONCOMPLIANCE

7 CFR 274.4 (b) states, in part:

- (a) *Required Reports.* The State agency shall review and submit the following reports to FNS on a monthly basis:
 - (1) Form *FNS-250*, Food Coupon Accountability Report
 - (2) Form *FNS-46*, Issuance Reconciliation Report

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

20. UNREVIEWED FOOD STAMP REPORTS (Continued)

Sound internal controls would require this review to include procedures to verify the information reported is accurate and complete, and to be documented by the State agency in some way to evidence it was performed.

Under the current operating structure, County Departments of Human Services are responsible for accounting for and issuing food stamp coupons and EBT cards to recipients; and reporting the issuance activity and inventory balances to ODHS on a monthly basis. ODHS is responsible for reviewing the information and submitting it to the federal government. However, we noted:

- consolidated FNS-250 and FNS-46 reports are not prepared to reflect the total Food Stamp activity for the State of Ohio, as reported by the 88 counties agency issuance/storage facilities resulting in approximately 140 separate FNS-250 and 90 FNS-46 reports being submitted to the federal government each month. In addition, there are no tracking procedures in place to ensure all county reports have been received or that all reports have been submitted timely to FNS.
- none of the FNS-250 or FNS-46 reports, from the 555 and 365 submitted for the four months selected, showed any evidence they had been reviewed by ODHS prior to forwarding them to the federal government, although the Program Specialist indicated he had performed the reviews.
- seven of 80 FNS-250 reports tested from the 445 submitted for three of the four sample months reported coupon inventory balances which did not agree to the supporting documentation submitted by the counties and 8 of 80 did not have county supporting documentation attached. In addition, county support was not available for review at ODHS for one of the four sample months, therefore, we could not determine if the information reported on the FNS-250 reports was accurate.
- 27 of 30 FNS-46 reports tested from the 276 submitted for three of the four sample months reported issuance information (both coupon and EBT) which did not agree to the CRIS-E system. In addition, CRIS-E support information was not available for review for one of the four sample months, therefore, we could not determine if the information reported on the FNS-250 and FNS-46 reports was accurate.
- one of 30 FNS-46 reports tested was not mathematically accurate.

Without adequately documenting the review of the FNS-25 and FNS-46 reports, management cannot be reasonably assured the required reviews are being performed as intended. If the reports are not reviewed thoroughly and timely, the risk of inaccurate information being submitted to the federal government related to Food Stamps, as occurred during the audit period, is increased. This could result in fines or penalties being imposed on the Department; and limits the grantor agency's ability to assess the operational effectiveness of the Food Stamp Program. The Program Specialist responsible for reviewing the FNS-46 and FNS-250 reports indicated he is not required to document this review and that he did not receive a copy of the CRIS-E report in order to verify the accuracy of the information.

To help ensure the information reported to the federal government of the FNS-250 and FNS-46 reports is accurate and complete, we recommend ODHS establish and implement policies and procedures requiring:

- a thorough review of county reports to provide reasonable assurance the information reported is accurate and complete. This must include verifying the information reported by the counties agrees with the CRIS-E system. These reviews could be documented with the reviewer's signature or initials and date on the reports. Additionally, procedures should be implemented which prohibit the submission of reports to the federal grantor agency without documented supervisory approval;

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

20. UNREVIEWED FOOD STAMP REPORTS (Continued)

- a tracking log be utilized to ensure all county information is received and included in the information forwarded to the federal government; and to aid in monitoring those counties who are not submitting their information timely and/or accurately so that appropriate corrective actions can be taken;
- consolidated reports be prepared and submitted to the federal government depicting state-wide Food Stamp information.
- management periodically review the activities of the personnel responsible for performing these procedures to help ensure they are operating effectively.

As indicated in the Corrective Action Plan on page 243, the Department does not agree with this finding. However, the Department is ultimately responsible to ensure complete and accurate information is reported to the federal government in a timely manner. Based on the number and type of errors noted above, the Department is not fulfilling it's responsibilities.

21. UNTIMELY ELIGIBILITY REDETERMINATIONS - VARIOUS COUNTIES

<i>Finding Number</i>	1999-HUM21-040
<i>CFDA Number and Title</i>	93.658 - Foster Care
<i>Federal Agency</i>	Department of Health and Human Services

NONCOMPLIANCE

45 CFR 1356.21(g) states, in part:

...the State must review at reasonable, specific, time-limited periods to be established by the State: (1) The amount of payment made for foster care maintenance and adoption assistance... (2) The licensing or approval standards for child care institutions and foster family homes.

Ohio Administrative Code 5101:2-47-15 (A), 1994, states, in part:

Redetermination of financially reimbursable criteria for Title IV-E foster care maintenance must be completed whenever there is a substantial change in the child's circumstances, but no less than every six months....

Of the 10 counties selected for testing, three were not in compliance with the eligibility redetermination requirements, as detailed below:

- HAMILTON COUNTY - Four of 16 Title IV-E Foster Care individuals selected for testing from approximately 1,350 cases processed by Hamilton County contained eligibility redeterminations which were not performed within the required time limits.
- LUCAS COUNTY - One of 20 individuals tested from the 856 foster care cases in Lucas County did not have an eligibility redetermination performed between July 1, 1998 through June 30, 1999. Because this individual was redetermined to be eligible at August 25, 1999, we have no reason to believe the individual was not eligible for benefits between July 1, 1998 through June 30, 1999.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

21. UNTIMELY ELIGIBILITY REDETERMINATIONS - VARIOUS COUNTIES (Continued)

- HANCOCK COUNTY - One of 13 individuals tested from the 25 foster care cases in Hancock County did not have an eligibility redetermination performed between 4/9/98 and 7/27/99. Because this individual was redetermined to be eligible at 7/27/99, we have no reason to believe the individual was not eligible for benefits between 4/9/98 and 7/27/99.

Without timely redetermination of IV-E Foster Care recipients, the county agencies cannot be fully assured only eligible recipients are receiving benefits. If the agencies are reimbursed expenses for ineligible recipients, they risk potential questioned costs which could jeopardized future funding.

The Hamilton County Benefits Issuance Supervisor stated the untimeliness of Title IV-E eligibility redeterminations is due to insufficient manpower available to maintain cases. Lucas County Management indicated there is a redetermination printout provided to the Title IV-E Specialists as to when redeterminations are to be completed. However, a backlog of redeterminations has occurred and this one may have been overlooked, or may have been misfiled. The Hancock Children's Protective Services Supervisor indicated this particular case was in and out of court quite frequently during the time period in question. (Court documents in the file support this). She felt that perhaps the redetermination had been overlooked, due to uncertainty about the custody status of the child.

We recommend:

- Hamilton County management evaluate their current staffing levels and assignments and implement procedures to provide reasonable assurance the eligibility redeterminations are performed accurately and timely, as required. Such procedures may include the use of a tickler file or system generated notification and/or exception listing to identify those children nearing their redetermination date or for whom a timely eligibility redetermination was not made. We also recommend monitoring procedures be implemented which could include supervisory reviews of the FACSIS redetermination print-out and periodic reviews of case files to ensure eligibility workers are performing timely redeterminations.
- Lucas County management develop and implement procedures to provide reasonable assurance the eligibility redeterminations are performed accurately and timely. In addition, procedures such as supervisory reviews, although not required in the ODHS Title IV-E procedure manual, would provide added assurance that eligibility redeterminations are being made timely and in accordance with program requirements.
- Hancock County management strengthen their procedures to provide reasonable assurance the eligibility redeterminations are performed accurately and timely. Such procedures may include the use of a tickler file or system generated notification and/or exception listing to identify those children nearing their redetermination date or for whom a timely eligibility redetermination was not made. In addition, procedures such as supervisory reviews, although not required in the ODHS Title IV-E procedure manual, would provide added assurance that eligibility redeterminations are being made timely and in accordance with program requirements.

We also recommend ODHS implement some monitoring controls to provide added assurance the counties are complying with the eligibility redetermination deadlines. Such controls may be implemented by reviewing information available in the FACSIS computer system, and/or including testing of this requirement as part of regular visits to review county operations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

22. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - MONITORING BY COUNTIES

<i>Finding Number</i>	1999-HUM22-041
<i>CFDA Number and Title</i>	10.551 - Food Stamps 93.558 - Temporary Assistance for Needy Families 93.778 - Medical Assistance Program
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Sound internal control procedures require management at the County Human Services Departments to monitor and oversee operations of the Income and Eligibility Verification System (IEVS) at the county level to provide assurance that IEVS is functioning as intended to promptly identify improper eligibility determinations made and/or improper benefits paid as the result of erroneous recipient income data.

As part of our testing, we examined the internal control system surrounding IEVS at five County Departments of Human Services and identified the following internal control weaknesses:

- There is no adequate, standardized, or documented, review of IEVS alerts by supervisors to provide assurance that IEVS alerts are processed accurately, completely, and timely. Each of the five counties tested review IEVS alerts as part of overall case file reviews, however, the scope of reviews on IEVS alerts was limited and there was no evidence that the counties took appropriate actions to correct IEVS errors once identified.
- Only one of the five counties tested has adequately implemented a tracking system for IEVS alerts which could identify which alerts have been assigned to each caseworker, the date the alerts were assigned, the date completed, and how the alerts were resolved (e.g., overpayment).
- Only one of the five counties tested had developed performance standards for use or enforced at the county level to identify the average time to complete alerts or permissible error rates.
- Few policies and procedures were implemented to assist case workers and supervisors in the IEVS process.

Overall, the lack of monitoring and management oversight has resulted in IEVS not being utilized as intended. Specifically, we determined that many IEVS alerts are not being followed up on and resolved accurately, completely, or timely. High eligibility error rates have resulted in the past and continue to result in federal fines and penalties against the Ohio Department of Human Services.

Through discussions with county management, IEVS coordinators, and case workers, we identified several causes for these IEVS-related internal control weaknesses, as follows:

- County-level Management does not sufficiently monitor IEVS operations.
- ODHS has not provided guidance and training to county personnel on how to administer IEVS at the county level.
- Supervisors consider the number of alerts to be too voluminous to effectively monitor each alert.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

22. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - MONITORING BY COUNTIES (Continued)

- ODHS discontinued providing the GDE089RA Delinquency Detail Report to the counties. This report enabled IEVS Coordinators and supervisors to pinpoint overdue IEVS alerts and notify the appropriate caseworker. Without this report the review process was made more tedious.

We recommend:

- a mandatory supervisory review for IEVS alerts be implemented at the county level. The performance of the review should be documented by the supervisor to provide county management assurance that reviews are completed. Counties could develop a review "checklist" on which the required review steps would be documented. Appropriate corrective actions should be taken when IEVS errors are noted.
- counties implement a tracking system (or expand their current tracking system) to effectively identify the status of all alerts assigned to each case worker.
- counties consistently develop and utilize performance standards, which incorporate the standards established by ODHS, to evaluate the effectiveness and efficiency of the IEVS process at the county level.
- county management consistently develop and utilize written policies and procedures, which incorporate the procedures established by ODHS, to assist case workers and supervisors in the IEVS process.
- ODHS reinstate the GDE089RA Delinquency Detail Report and provide the report to all counties.

23. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - TRAINING

<i>Finding Number</i>	1999-HUM23-042
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.775/93.777/93.778 - Medical Assistance Program Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

When administering federal programs, it is management's responsibility to ensure control procedures are established and that appropriate training is provided for the personnel involved. Training is essential, particularly for the more complex or technical controls such as IEVS, to communicate the appropriate methods for implementing the control procedures and promoting consistency.

As part of our review of five County Departments of Human Services, we examined the internal control system surrounding IEVS. We found that IEVS-specific training is not being consistently provided to county case workers by either the counties or the Ohio Department of Human Services. New employees receive training on the Client Registry Information System-Enhanced (CRIS-E) which helps determine client eligibility. This training includes a very limited review of IEVS; however, many existing county case workers have not received this training because IEVS only became integrated with CRIS-E system in 1992. At the time of testing, four of the five counties had no specific IEVS-related training scheduled for the future.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

23. INCOME AND ELIGIBILITY VERIFICATION SYSTEM - TRAINING (Continued)

Under these conditions, the risk of IEVS alerts not being resolved accurately, completely, or timely, resulting in incorrect benefits being paid is greatly increased. In addition, high eligibility error rates have resulted, and continue to result, in federal fiscal sanctions (fines and penalties) against the Ohio Department of Human Services.

ODHS personnel stated the responsibility for addressing IEVS alerts rests with the counties under the State supervised, county administered approach; and ODHS did not have sufficient resources to effectively monitor county activities.

We recommend that initial training be provided to all existing case workers and supervisors and training for new employees be expanded to include IEVS-specific policies and procedures. In addition, ongoing IEVS training should be given to all case workers and supervisors to provide reasonable assurance that all changes or updates to IEVS are properly communicated and that caseworkers are made aware of recurring problems and solutions pertaining to IEVS. Training may be provided by the counties, by the Ohio Department of Human Services, or a combination of both.

24. DATA PROCESSING - ACCURACY OF CRIS-E INPUT

<i>Finding Number</i>	1999-HUM24-043
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Sufficient input controls and edit and validation checks must be in place within an application system to provide assurance to management that client data is being entered onto the system accurately and completely.

The Client Registry Information System-Enhanced (CRIS-E) has numerous screens a caseworker must complete to determine if an applicant is eligible for public assistance benefits (totaling approximately \$543 million for Food Stamp, \$542 million for TANF, and \$6 billion for Medicaid in fiscal year 1999). Several screens could be enhanced with edit controls to prevent caseworker keystroke errors from unintentionally impacting the extent of benefit or eligibility determinations by the system. The following are a few examples of edit controls not in place:

- The Detail Shelter Cost screen (AEFSC) does not reflect a field to show which client is paying rent. If the client attached to the rent leaves the home or is deleted from the case, then the related rent expense is deleted as well. Thus, there is the possibility all shelter expenses are not being properly accounted for by the caseworker.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

24. DATA PROCESSING - ACCURACY OF CRIS-E INPUT (Continued)

- The Detail Utility Cost screen (AEFUC) does not have an edit check to verify that the "Standard Utility Allowance" field does not exceed 100 percent. If there is more than one assistance group sharing heating/cooling expenses, the system allows 100% for each group. Also, if the client pays less than 100% of the heating/cooling expense, the system does not require the remaining percentage be accounted for by the caseworker. Thus, there is the possibility of error.
- The Detail Employment Information screen (AEIEI) does not display the "Monthly Earnings Actual Gross" field. The caseworker must reenter the screen name AEIEI in order to view the "Monthly Earnings Actual Gross" field. If the fields "Pay Freq" and "Gross Amount in the Cumulative Earnings" are not entered correctly, the calculation would be in error and go unnoticed if the extra step of reentering the AEIEI screen is not completed by the caseworker.

Due to the lack of sufficient edit and validation checks, the risk of errors by the caseworker while completing the application process is increased. This could result in inappropriate benefit or eligibility determinations being made, as well as federal sanctions levied against the Department. The Department indicated one reason for the lack of sufficient edit and validation checks is that legislative mandates, staffing, and management priorities have resulted in a two year backlog in addressing expansion and modification of the CRIS-E system. The Bureau of Systems Development indicated they have initiated efforts to upgrade the edit controls for the CRIS-E input process.

We recommend the Bureau of Systems Development first survey County caseworkers to determine which CRIS-E screens need additional edits, then modify the necessary application programs to implement those additional edit and validation checks in a timely manner.

25. DATA PROCESSING - MANUAL OVERRIDES OF CRIS-E (FIATS)

<i>Finding Number</i>	1999-HUM25-044
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

When utilizing and relying upon a complex data processing system with many users, it is vital to address the users' needs and minimize the manual and human input necessary to complete a transaction.

The Department of Human Services uses the Client Registry Information System-Enhanced (CRIS-E) to determine eligibility and benefit amounts for public assistance programs (totaling approximately \$543 million for Food Stamp, \$542 million for TANF, and \$6 billion for Medicaid in fiscal year 1999). To facilitate changes to the programmed criteria in CRIS-E, the Department has implemented a process where the users (caseworkers) notify the appropriate Department personnel of the need for a modification through Customer Service Requests (CSRs). Until these changes are made, the caseworkers must, in most cases, manually override the CRIS-E flags through fiats. As of July 1, 1999, ODHS personnel indicated there were 87 open CSRs requesting program modification to alleviate fiat situations encountered by county staff, 7% of these CSRs were initiated prior to 1995, however, there was no effective way to document this information was correct.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

25. DATA PROCESSING - MANUAL OVERRIDES OF CRIS-E (FIATS) (Continued)

By not completing CRIS-E program modifications in a timely manner, the need for frequent manual overrides is increased. This involves a great deal of judgement on the part of caseworkers and their supervisors. Under these circumstances, the risk of errors occurring in benefit eligibility determinations is greatly increased, and caseworker efficiency is decreased because of the cumbersome process involved. Eligibility errors have, in the past, resulted in federal fiscal sanctions against the Department. According to the Bureau of Systems Development, the delays in completing the CSRs to correct manual override situations (fiats) is due to inadequate staffing and higher priority given to other federal/state legislative program changes.

We recommend the Department analyze their current process of addressing fiats and devote the necessary resources to minimize manual override situations in CRIS-E.

26. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES - MONITORING

<i>Finding Number</i>	1999-HUM26-045
<i>CFDA Number and Title</i>	93.558 - Temporary Assistance for Needy Families
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Specific requirements for eligibility are unique to each program and are contained within the laws, regulations, and agreements pertaining to the program. To provide assurance that eligibility requirements are being adhered to, it is the responsibility of management to implement control procedures which provide for a standardized review process and promote adherence to the specific program compliance requirements.

The determination of an applicant's eligibility to receive Temporary Assistance for Needy Families (TANF) funding is initiated at each county agency. Applicant information is compiled by case workers and input into CRIS-E, an ODHS computer system designed to evaluate information, determine if an applicant is eligible to receive cash assistance, and calculate the benefit amount (benefits totaled approximately \$ 542 million in fiscal year 1999). Each county also has a limited amount of program monies which can be used, at the county's discretion, to assist individuals with one-time or limited assistance for special circumstances. In addition, the Department has entered or will enter into a partnership agreement with each county to provide incentives to the counties to reduce the number of assistance groups on the welfare rolls. However, as of the date of our audit, the Department had not instituted monitoring procedures to determine whether information input into CRIS-E corresponded to source documentation, or if CRIS-E was accurately evaluating the information provided by county agency case workers.

Without an adequate monitoring process, the Department has only limited assurance that program funding was disbursed to eligible recipients for the appropriate amounts. If uncorrected, this condition could lead to questioned costs, thereby increasing the Department's liability and/or impacting the amount of federal funding to be received in future years.

The QA Supervisor and Human Services Program Administrator indicated a control process was not implemented because the federal requirements do not specifically provide for the Department to monitor the county agencies. However, the Audit Manager indicated the Department's Office of External Audits plans to include procedures such as Cost Allocation, OMB Circular A-87, Prevention, Retention, & Contingency, Partnership Agreements, Cash Activity, Contracts, and Performance auditing in the future.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

26. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES - MONITORING (Continued)

We recommend the Department of Human Services implement sufficient monitoring policies and procedures to provide reasonable assurance that TANF program requirements and objectives are being fulfilled at both the state and county levels. This monitoring review should cover all compliance requirements of the program, with particular attention paid to the activities allowed, eligibility, and special test and provisions requirements; and include a review and evaluation of the counties' compliance with their partnership agreement. All monitoring procedures should be documented in some manner to indicate who performed the review, the results, and any recommendations or planned corrective action.

27. FOOD STAMP SAS 70 REPORT

<i>Finding Number</i>	1999-HUM27-046
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster
<i>Federal Agency</i>	Department of Agriculture

INTERNAL CONTROL - MATERIAL WEAKNESS

The Ohio Department of Human Services currently administers the Electronic Benefits Transfer (EBT) system for the distribution of Food Stamp benefits for selected counties. To provide assurance the system meets the program objectives and requirements, it is management's responsibility to establish and implement internal control procedures which reasonably ensure EBT transactions are accurately and completely processed, including any transactions processed by outside parties. Typically, outside parties who process significant financial data are required to have audits conducted in accordance with Statement on Auditing Standards No. 70 - Reports on the Processing of Transactions by Service Organizations (referred to as SAS 70 reports).

The Ohio Department of Human Services entered into a contractual agreement with Citibank Corporation to develop, implement, and maintain an off-line EBT system for the allocation of Food Stamp benefits (totaling approximately \$543 million in fiscal year 1999). Citibank subcontracted with Stored Value Systems to process the financial activities related to the program. The contractual agreement holds Citibank and its subcontractors liable for erroneous benefit issuances. In addition, Stored Value System submits EBT reconciliations and Food Stamp activity reports to ODHS to document compliance with Food Stamp requirements. However, the contract does not require a SAS 70 review of Stored Value Systems, even though primary reliance is placed on them to distribute available benefits and account for benefits used in selected counties. Although Stored Value Systems did have a SAS 70 review completed during fiscal year 1998 of their on-line systems (which makes up the majority of their business), the off-line processing was not specifically tested; and the Department did not obtain or review this report to determine if there were any deficiencies which may impact Food Stamp benefit processing. No SAS 70 review was completed for fiscal year 1999.

Without obtaining a thorough SAS 70 review of Stored Value Systems and evaluating the results, the Department cannot be reasonably assured that EBT Food Stamp benefits are being properly issued to authorized recipients in the proper amounts, or that amounts reimbursed to retailers are accurate, complete, and properly supported on an on-going basis. If information from Stored Value Systems is faulty, the amounts reported to the federal government and in the State of Ohio Financial Statements for EBT benefits may not be accurate or complete. ODHS personnel indicated that, since the U.S. Department of Agriculture had not implemented requirements for an annual SAS 70 review, they did not believe it necessary to obtain one. They also expressed concern that the costs of such an audit would cause them to exceed their cost neutrality limits.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

27. FOOD STAMP SAS 70 REPORT (Continued)

We recommend the Ohio Department of Human Services amend the contract with Citibank to require an annual SAS 70 review be performed in accordance with the guidelines to be issued by the Office of Management and Budget, including tests of controls, on the off-line processes of Food Stamp EBT benefits by Stored Value Systems and/or any other subcontractor. We also recommend the Department include SAS 70 requirements in any other existing or future contracts which involve significant processing of financial information by outside parties. Department personnel should review these SAS 70 reports to determine if any deficiencies noted would have a negative impact on the programs involved and ensure appropriate and timely corrective action is taken.

The Corrective Action Plan on page 247 indicates the Department has no plans of obtaining a SAS 70 of the EBT system used to process Food Stamp Benefits. However, with the increasing significance of the EBT benefits, the Department risks a future qualified opinion on the Food Stamp Cluster and/or the General Purpose Financial Statements without such an audit of the service organization's activities.

28. REVIEW OF FOOD STAMP EBT REPORTS FROM VENDOR

<i>Finding Number</i>	1999-HUM28-047
<i>CFDA Number and Title</i>	10.551/10.561 Food Stamp Cluster
<i>Federal Agency</i>	Department of Agriculture

INTERNAL CONTROL - MATERIAL WEAKNESS

When administering federal grant awards, it is ODHS' responsibility to provide reasonable assurance that federal programs are reported in compliance with rules and requirements established by the federal government. This includes monitoring the activities performed and information provided by any outside vendors to provide assurance they are in compliance with program and contract requirements. A strong system of internal controls includes documenting the review and approval of any independently prepared reports to reasonably ensure they are accurate and complete.

Stored Value Systems currently processes the financial activities related to EBT benefits for the Food Stamp program (approximately \$220 million in fiscal year 1999). Stored Valued System submits EBT reconciliations and Food Stamp activity reports to ODHS to document compliance with Food Stamp requirements. However, one of four monthly summary Food Stamp activity reports selected for testing showed no evidence it had been reviewed by the Food Stamp Project Manager, as indicated. In addition, three of four reports were not on file at the Department, therefore, we were not able to determine if the reports had been received and reviewed.

Without adequate documentation that reviews are being performed, management cannot be reasonably assured the intended control procedures are in place and operating effectively. If the vendor information is not reviewed, errors and/or instances of noncompliance by the vendor may not be detected in a timely manner. This may reduce the level of reliability which can be placed on transactions processed by the vendor and could result in inaccurate or incomplete information being reported to the federal government. The Food Stamps Project Manager indicated he did not see the need to document his reviews beyond maintaining a copy of the reports since he was the only one who looked at them. He also stated the reports not on file were sent to storage.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

28. REVIEW OF FOOD STAMP EBT REPORTS FROM VENDOR (Continued)

We recommend the Department of Human Services establish and implement policies and procedures to provide reasonable assurance that reviews of the various vendor-prepared reports related to Food Stamp EBT transactions are properly performed and documented by the reviewer in a timely manner; and that appropriate follow-up is made for any discrepancies or unusual items. This documentation could be in the form of the reviewer's signature or initials and date on the report, with notations or attachments describing the resolution of any follow-up actions.

29. FOSTER CARE CONTRACTS

<i>Finding Number</i>	1999-HUM29-048
<i>CFDA Number and Title</i>	93.658 - Foster Care
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Sound business practices require contracts be prepared to document the requirements and responsibilities of each party in carrying out the terms of the agreement. To be effective, the contracts must be very clear and specific with regard to what is allowable/unallowable and how results are to be measured and verified. This is particularly important when the agreements involve the use of federal funds or require fulfillment of specific federal program compliance requirements.

Under the current system, the Ohio Department of Human Services operates a State-supervised, county-administered system for many of their federal programs, including Foster Care. The county agencies, in turn, solicit private vendors to fulfill some of their Foster Care requirements. However, there are no detailed contracts in place between ODHS and the county agencies, or between the county agencies and the private vendors, to specifically identify:

- the roles and responsibilities of each party;
- the laws and regulations which must be followed;
- costs or activities which are allowable and unallowable under the program; and
- how the contractor will monitor the activities and compliance of the contractee.

Under these conditions, the risk of noncompliance with program requirements and/or the use of federal funds for unallowable costs or activities is greatly increased. In addition, without signed contracts, the Department and/or the county agencies may not have a solid legal position for enforcing the requirements of these agreements. Management indicated they had not considered the need to obtain written contracts regarding the Foster Care program because of the requirements in Ohio Administrative Code.

We recommend ODHS implement policies and procedures which require the use of detailed contracts between the Department and the county agencies, and between the county agencies and private vendors/providers with regard to the Title IV-E Foster Care Program. These contracts should be very specific regarding what costs are allowable for federal reimbursement and the compliance requirements each party is responsible to fulfill. Similar contracts should be considered for use for other federal programs, as well.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

30. NO HISTORICAL PAYMENT DATA IN FACSIS

<i>Finding Number</i>	1999-HUM30-049
<i>CFDA Number and Title</i>	93.658 - Foster Care 93.659 - Adoption Assistance
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Sound accounting practices require management devise and implement an adequate internal control structure capable of providing them with reasonable assurance their objectives are being achieved. For the Department's federal programs, this must include internal controls that reasonably ensure amounts claimed for federal reimbursement are processed accurately, completely, and in compliance with federal laws and regulations; and are adequately documented to provide management with some assurance they are being performed timely and consistently.

Throughout each month, the Ohio Department of Human Services (ODHS) receives requests for Title IV-E reimbursement from County Public Children Services Agencies (PCSAs) related to costs for foster care (via the ODHS 1925 and 1659) and adoption assistance (via the ODHS 1659). These costs, which represent charges for foster care maintenance, partial-month benefit payments, and other allowable expenses (such as clothing, graduation, legal expenses etc.) for both foster care and adoption assistance, are processed through the Family and Children Services Information System (FACSIS) which verifies expenditure allowability and calculates the reimbursement amount. However, FACSIS retains no historical cost information which could be used to prevent claims from being submitted for reimbursement more than once, or exceeding the allowable limits (related to clothing, legal expenses, etc.) set forth in the Ohio Administrative Code. In addition, no procedures are in place to track or monitor the receipt of monthly ODHS 1925 from each county to avoid duplicate submissions, although no duplications were specifically identified in our testing.

In the absence of internal controls to monitor reimbursement requests, the risk that amounts claimed for federal reimbursement are overstated is greatly increased. Overstating federal claims could subject the Department to possible federal sanctions, limiting the amount of funding available for program activities. Departmental personnel stated the number of county reimbursement request line items is too voluminous to monitor given their current staffing limitations. Reliance is placed on the PCSAs to request reimbursement for only allowable Title IV-E expenditures.

We recommend the Department devise and implement internal control procedures which provide reasonable assurance that federal Title IV-E reimbursements are made only for allowable program costs, paid only once, and within the limits established for each type of cost. This could be achieved by maintaining historical payment information within FACSIS, by beneficiary, which should be compared to current reimbursement requests. We also recommend ODHS implement the use of a tracking log or other tool to provide reasonable assurance that each county ODHS 1925 has been received only once.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

31. CHILD SUPPORT BANK RECONCILIATIONS

<i>Finding Number</i>	1999-HUM31-050
<i>CFDA Number and Title</i>	93.563 - Child Support Enforcement
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

In order to ensure the accuracy of accounting records, an adequate system of internal controls requires an entity to perform periodic reconciliations of their accounts and records which are reviewed and approved by a supervisory level employee. To be effective, these reconciliation procedures must be performed regularly and include a thorough investigation and follow-up of all significant reconciling items.

During fiscal year 1999, ODHS relied on the County Child Support Enforcement Agencies (CSEA) to collect and disburse the material portion of all child support payments. This activity generally represented significant transaction cycles for the counties, therefore, we reviewed the audit reports for the 88 counties in Ohio. Thirty of these reports included comments related to the child support transactions, including CSEA's not performing monthly bank reconciliations, CSEA's being unable to balance accounts, CSEA's not having a review and approval of the reconciliations, untimely reconciliations, and no documentation of review of reconciliations. In addition, we performed testing at 10 selected counties and identified the following:

HAMILTON COUNTY

Monthly, the accountant reconciles the Child Support bank statements noting any differences. Due to the complexity of the reconciliation process, additional fiscal personnel were hired to investigate and settle the unreconciled balances. However, of the three monthly reconciliations tested for the three child support accounts used, all had unreconciled balances, as indicated below:

ACCOUNT	MONTH	ADJUSTED BANK BALANCE	UNRECONCILED AMOUNT
SETS	August, 1998	\$42,359	\$86
SETS	November, 1998	\$145,598	(\$15,376)
SETS	February, 1999	\$224,960	\$109
Regular	August, 1998	\$4,393,107	(\$13,945)
Regular	November, 1998	\$4,160,155	(\$12,331)
Regular	February, 1999	\$4,526,718	(\$20,296)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

31. CHILD SUPPORT BANK RECONCILIATIONS (Continued)

LORAIN COUNTY

During fiscal year 1999, the Lorain County Child Support Enforcement Agency converted their 25,601 cases to the Support Enforcement Tracking System (SETS). This system was designed by the Ohio Department of Human Services (ODHS), in response to federal mandates, to assist in tracking the status of all child support cases and account for the related collections and disbursements (approximately \$46,000,000 annually for Lorain County). However, SETS cannot provide the book balance needed to reconcile the county's records to those of the bank. The Child Support Enforcement Agency Bookkeeping Supervisor currently maintains separate manual records and has reconciled them to the bank through December 31, 1998, but cannot agree them to SETS. This process is very cumbersome and time consuming and provides little assurance the information recorded in SETS is accurate and complete.

UNION COUNTY

As of May 31, 1999, Union County had not performed monthly bank statement reconciliations for both the County Department's regular child support account and the SETS account. Union County receives, on average, approximately \$200,000 per month in child support payments.

Without performing regular bank reconciliation, investigating and resolving differences noted during the reconciliation process, or consistently reviewing the reconciliations performed, the risk is greatly increased that balances reported for these accounts could be misstatement and thus be unreliable. Furthermore, improper or illegal transactions may not be detected in a timely manner.

ODHS and county management indicated the reasons for the problems with the bank reconciliations are, in part, due to Support Enforcement Tracking System's (SETS) inability to provide useful reports and reliable information to assist in the reconciliations. This has caused the reconciliation process to be very time consuming and labor-intensive and created a negative impression of SETS by many county CSEA workers.

We recommend ODHS take the appropriate steps necessary to provide the appropriate tools to assist the counties in reconciling their accounts. This would include identifying and evaluating the reconciliations deficiencies within SETS and making all program modifications necessary to reasonably ensure that SETS has the ability to provide reliable, useful information to the county CSEA's to assist them in reconciling their accounts. This would require extensive communication with County CSEA personnel involved in the process, and continuous monitoring of the process to help ensure the system is operating properly. We also recommend county management implement/enforce control policies and procedures which provide assurance all Child Support bank accounts to a zero difference each month. This which would include continuing their efforts to investigate all unreconciled differences, and requiring all reconciliations be reviewed and approved by a supervisory level employee to ensure they are being performed timely and accurately. If the unreconciled amounts relate to long-standing items that have been on the books for a number of years and/or the county can maintain a consistent difference for several months, ODHS should work with the counties to determine an appropriate method to write those frozen amounts off.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

32. SETS - LACK OF TRAINING & SUPPORT TO COUNTIES

<i>Finding Number</i>	1999-HUM32-051
<i>CFDA Number and Title</i>	93.563 - Child Support Enforcement
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Sound business practices suggest users receive appropriate computer application training and support when their job responsibilities are impacted by the development and implementation of new application software.

The Support Enforcement Tracking System (SETS) is an automated system to effectively manage the child support enforcement program to meet the requirements as mandated by the Family Support Act of 1988, and other program requirements that have been mandated or revised since 1987. The main objective of SETS is to support a variety of child support activities at the state and county levels. During our review, we identified the following issues that suggest county personnel were inadequately trained on the use of the new SETS system:

- The HELP Desk had not been following through with the user community on problems called in or e-mailed to them, or keeping the user community posted on the corrective actions taken, if any. In addition, when a potential issue affected all counties, an online ODHS Bulletin was not issued in a timely manner, so that the HELP Desk would not receive a call from each county concerning the same problem.
- Five SETS software upgrade versions have been released since October 1998 and communication of system changes has been untimely or nonexistent.
- The Financial Management component in SETS, particularly the reconciliation process, is not perceived by county staff as user friendly. Additional training and possible procedural changes may be necessary for counties to reconcile their SETS depository account to their bank statement.
- Computer Based Training (CBT) has been developed and utilized as a training tool. However, due to insufficient county staffing, available time is very limited to take full advantage of this tool.

Without the proper training and support, the counties have had difficulty utilizing the SETS software effectively. As a result, the counties have developed and utilized "work arounds" which allow them to process data however necessary to properly receive and remit child support payments. While it is difficult at this time to estimate any damage resulting from the use of "work arounds", it is possible that erroneous decisions could be made by county staff who do not properly understand the new SETS software and the "work arounds" to the detriment of the client or county. Per the SETS Project Manager, training has focused on the conversion process, but additional efforts could be completed at the counties for operating SETS. ODHS implemented, or plans to enhance, county training and support by: continuing to update SETS' InnerWeb (which keeps the counties current on pertinent events), expanding and updating the CBT, and restructuring the HELP Desk.

We recommend SETS management continue to invest resources to communicate SETS software updates through hands-on training and electronic media, and provide timely resolution of Help Desk issues related to the support of the SETS application. Additionally, ODHS SETS Management should assist counties in restructuring their procedures to effectively and efficiently utilize the SETS software.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

33. SETS - SYSTEM DEVELOPMENT LIFE CYCLE

<i>Finding Number</i>	1999-HUM33-052
<i>CFDA Number and Title</i>	93.563 - Child Support Enforcement
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - MATERIAL WEAKNESS

Sound internal control procedures require a systems development and methodology plan for new applications be formalized and documented. The methodology adopted by the agency should establish and document the roles and responsibilities of the IT department, user departments and counties, and others for planning, developing, reviewing, implementing, and auditing the end product of the system development process.

The Support Enforcement Tracking System (SETS) is an automated system intended to effectively manage the child support enforcement program to meet the requirements mandated by the Family Support Act of 1988, and other program requirements that have been mandated or revised since 1987. The main objective is to support a variety of child support activities at the state and county levels.

Extensive documentation was available for many of the design and development activities for SETS. However, no formalized and documented systems development life cycle methodology specific to the development of SETS was in place to provide timely and effective project management. The following issues were identified, which would have not occurred or been timely and effectively addressed if a proper methodology were developed, documented and followed:

- The user community did not sign-off on the design of SETS, which contributed to the overall lack of approval by the counties and the following county issues:
 - ▶ Issues with the Case Establishment/Case Management component for interstate, and paternity establishment requiring manual intervention by county employees.
 - ▶ Issues with distribution, financial corrections, reconciliation, and financial history of the Financial Management component could cause a lack of financial transaction integrity.
 - ▶ SETS lacked a clear audit trail, preventing the effective and timely resolution of client queries.
 - ▶ The federal Quarterly Child Support Report, 4223, did not properly foot. In addition, the counties were unable to substantiate all the data on the Report.
 - ▶ The QFR004RA Report (Check Register) inconsistently footed.
 - ▶ The case type on the IV-D interface often changed at month-end.
- Not all of the changes noted by the pilot counties, as a result of user acceptance testing, produced changes in the system before being rolled out to the counties.
- Conversion and implementation of the new state-wide SETS application for all 88 counties was running behind schedule. The large metropolitan counties had not fully converted all their cases.
- Systems performance issues for both the online and batch processes caused operation problems for the counties. If month-end processing occurred during the week, a shutdown in the system resulted, preventing further case payment processing.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

33. SETS - SYSTEM DEVELOPMENT LIFE CYCLE (Continued)

Improper management of the SETS systems development has led to:

- The user community's lack of confidence in the system.
- Significant program changes occurring after the roll-out.
- Limited testing prior to live production due to time pressures and resource constraints.
- Federal sanctions as a result of the project delays.

Per the SETS Project Manager, federal deadlines and possible sanctions have been a serious concern, as well as legislative changes to the program. These concerns have been the priority of the project.

We recommend ODHS formalize and document their system development life cycle procedures as a means for structuring and controlling the process of developing all future computerized information systems. Because system development projects are among the most demanding, effective and timely project management, as part of the entire life cycle, is essential for the successful implementation of the deliverables.

34. VOUCHER SUMMARY SUPPORT DETAIL

<i>Finding Number</i>	1999-HUM34-053
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance For Needy Families 93.658 - Foster Care 93.659 - Adoption Assistance 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

Federal guidelines require recipients to ensure program costs are necessary, authorized, and adequately documented. It is management's responsibility to establish and implement internal control procedures to reasonably ensure compliance with these federal guidelines and maintain appropriate supporting documentation for all disbursements of federal funds.

The Ohio Department of Human Services places primary reliance on information systems to comply with various federal requirements, particularly those related to activities allowed or unallowed, allowable costs, and eligibility. For Foster Care and Adoption Assistance Programs, the FACSIS computer systems process and maintain recipient data for eligibility determination and benefit issuance. Each client maintained on FACSIS is assigned a recipient number for identification and tracking purposes. In addition, the MMIS system maintains information regarding approved Medicaid providers and services and must interface with FACSIS to verify the eligibility of clients prior to approving payments for Medicaid claims. The FACSIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

34. VOUCHER SUMMARY SUPPORT DETAIL (Continued)

system then interfaces with the Client Registry Information System (CRIS) which generates the electronic files used to prepare the voucher summary and individual warrants for Foster Care and Adoption Assistance benefit payments. The Department maintains this electronic data (in Control-D) to identify the detailed warrant information associated with each voucher summary.

As part of our testing, we selected a sample of 40 benefit payments from approximately \$192 million in Adoption Assistance expenditures made by the Department and attempted to trace individual recipients/clients to FACSIS to verify they had been determined eligible. However, in all 40 instances, the identification numbers shown on the Control-D screens or the remittance advices from the Medicaid providers (if the client was receiving Medicaid benefits) did not correlate to recipient numbers required to locate the recipients/clients in the FACSIS system, nor was there a readily identifiable link between these two types of numbers. A ten-digit identification number was documented on the Control-D support, but FACSIS requires a 12-digit recipient number. Further investigation determined the Control-D number was actually missing a suffix (usually an 80 or an 03), however, the suffixes were not stated anywhere in the Control-D support. In addition, the Control-D information which provides the initial link between the voucher summary payments and the underlying supporting documentation for all programs paid via voucher summaries (Food Stamps, TANF, Medicaid, Foster Care, and Adoption Assistance) was not available from November, 1998 to February, 1999.

A direct link between the disbursement support and the computer systems used to determine recipient/client eligibility and benefit amounts would help management be reasonably assured that program expenditures are accurate, complete, and paid only to/for eligible recipients in accordance with the laws and regulations of the related federal programs.

Human Services MIS personnel could not explain how/why the unique MMIS billing numbers are created or why the suffix is dropped from the FACSIS recipient numbers. However, it appears this problem occurs during the interface between the eligibility computer systems (CRIS-E and FACSIS), MMIS, and the CRIS payment system, and stems from the varying lengths of the identification numbers used. According to ODHS MIS personnel, the information for November to February was lost during a programming update and could not be recovered because the back-up information had been lost or damaged.

We recommend the Ohio Department of Human Services closely review the programs and processes used in the preparation of voucher summary benefits payment for Adoption Assistance to identify the rationale for using the various numbers and how they are created. We recommend the Department implement the use of universal identification numbers to support and track all voucher summary benefit payments, preferably the existing recipient numbers from FACSIS. This would require all identification numbers be of equal length; additional zeros or other standard coding should be added to the shorter CRIS-E numbers to avoid dropping required FACSIS information. If the use of universal or standardized identification numbers is not possible, we recommend the Department create a cross-walk between all possible identification numbers for each client/recipient within FACSIS so the appropriate individual can be directly identified within the systems based on the supporting documentation for the disbursement. We further recommend the Department evaluate its back-up and disaster recovery procedures to determine why the critical information maintained electronically in Control-D was lost, and make appropriate adjustments to reasonably ensure future loss of data does not occur.

The Department disagrees with portions of this finding, as indicated in the Corrective Action Plan on page 251. However, the fact remains that there was not vehicle in place to provide a link between the payment and the underlying support which documented the allowability/eligibility of the expenditure and recipient, as required by federal regulation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

35. CONTROL WEAKNESSES/CODING ERRORS - EXPENDITURES

<i>Finding Number</i>	1999-HUM35-054
<i>CFDA Number and Title</i>	All programs administered by the Department
<i>Federal Agency</i>	Various

INTERNAL CONTROL - REPORTABLE CONDITION

Federal regulations require recipients to maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws, regulations, and the provisions of contracts or grant agreements; and the activity is accurately and completely recorded in the financial statements and the federal schedule. It is management's responsibility to monitor these control procedures to verify they are operating effectively.

Currently, the Ohio Department of Human Services (ODHS) utilizes voucher summaries to process benefit payments for the Food Stamps, TANF, Medicaid, Foster Care, and Adoption Assistance programs. In addition, intra-state transfers (ISTVs) are made to other state agencies who administer portions of the Medicaid program. Regular vouchers are used to process advances to counties for expenses incurred in the administration of various programs on behalf of ODHS. During the audit period, internal controls over the disbursement of federal program monies were not being consistently applied, as indicated below:

Voucher Summaries

- The current procedures in place at HUM require the Accounts Payable Unit Supervisor to sign the certification stamp on the voucher summary report to approve the payment, however, eight of 60 items tested did not include the Unit Supervisors signature or other evidence of approval.
- The Accounts Payable Account Examiner 3 is required to place tick marks on the voucher summary spreadsheet to indicate agreement with the voucher summary document, however, six of 60 spreadsheets tested did not include any tick marks or other evidence to show this comparison was made.
- The Accounts Payable Account Examiner 3 is required to complete and attach to the voucher summary document a detailed checklist documenting the completion of the various control procedures identified, however, four of 60 voucher summaries tested did not have a checklist attached.

In addition, we noted the following coding errors in our testing of ten voucher summaries totaling \$1.7 billion from the \$5.9 billion in Medicaid voucher summary benefit payments during fiscal year 1999, which may indicate the established control procedures are not operating consistently:

- one contained expenditures totaling \$4,569 which were improperly charged to Fund GRF instead of Fund 3F0, resulting in an understatement of federal claim for reimbursement in that amount.
- four contained expenditures totaling \$6,534 that were recorded to an incorrect Medicaid reporting category within Fund GRF.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

35. CONTROL WEAKNESSES/CODING ERRORS - EXPENDITURES (Continued)

County Advances

- The Statement of Financial Mapping is a quarterly County Reporting (CORG) system report which is required to be sent to the County Department of Human Services (CDHS) to be reconciled to the Quarterly Consolidated report prepared by the county, however, these CORG reports were not sent consistently during fiscal year 1999. Therefore, quarterly reconciliations were not performed during fiscal year 1999 on a timely or consistent basis.
- At the end of each state fiscal year, the Account Examiner Supervisor or the Fiscal Specialist are required to prepare a Cash Analysis Report which tracks the expenditures, the non-reimbursable expenditures, the county share and the allocation of excess. However, per conversation with County Finance Section Chief, the Cash Analysis for fiscal year 1999 was not performed timely.
- Current procedures in place at HUM require a final reconciliation be performed at the end of each state fiscal year for each county. The reconciliation compares the total of actual allowable expenditures with the total monthly advances for the year. Each county should receive a copy of the reconciliation and certification sheet specifying the amount over/under paid for the year. However, these reconciliations are not being completed on a timely basis.
- One of 12 monthly Payment Distribution Sheets prepared by the CORG computer system (used to determine quarterly county payments) included amounts which were manually changed, however there was no evidence indicating the reason for the recalculated sheets. Further investigation revealed a CORG system error occurred during the processing of June 1999 payments requiring Department personnel to manually calculate the amounts. This June information was recorded on the "May" Payment Distribution Sheet to support the payments.

ISTVs

As Medicaid claims from subrecipient state agencies are received, they are interfaced with the Medicaid Management Information System (MMIS) to verify recipient and provider eligibility. However, for six of 45 provider claims tested from the \$602 million paid via ISTV, the claim information had been deleted from MMIS and could not be found on microfiche maintained by the Claims Processing Unit. Therefore, we could not determine whether the service was performed by an eligible Medicaid provider. We were, however, able to verify that the payment amount was accurate and that the recipient was eligible.

If control procedures are not performed and documented thoroughly and consistently, ODHS management may not be reasonably assured payments are accurate and complete. In addition, management may not be able to readily identify their thought processes and/or actions taken should questions arise regarding particular aspects of the reviews, reconciliations, or manual changes, particularly if there is turnover in supervisory positions performing the controls. If appropriate supporting documentation is not maintained, management may not be able to substantiate the allowability of expenditure transactions.

Personnel involved with disbursement processing of the voucher summaries indicated the deficiencies noted were oversights on their behalf. County Finance personnel indicated the errors were related to CORG system deficiencies and the change from a calendar year to a state fiscal year had an impact on the timeliness of some reports. They also indicated they had not considered the importance of documenting the reason for changes to the CORG information or evidencing reviews performed. MMIS personnel indicated the system can only retain information for 12- 18 months, but could not explain the missing microfiche.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

35. CONTROL WEAKNESSES/CODING ERRORS - EXPENDITURES (Continued)

We recommend:

- additional training be provided to staff members processing program expenditures to help ensure they are aware of the required procedures and the importance of performing those procedures accurately and consistently.
- the County Finance Section ensure that reconciliations be performed on a timely and consistent basis in order to ensure that the HUM's expenditures will be accurately and completely reported; and implement policies and procedures which require documentation to explain the reason for manual changes made to computer generated reports. This explanation should be documented with supervisor's signature or initials on the report.
- periodic monitoring procedures be performed by upper management to help ensure the established controls are in place and operating as intended.
- management evaluate their current records retention policy and/or implement controls to provide reasonable assurance that all expenditure supporting documentation, including ISTV provider detail, is maintained.

36. CONTRACTS/RELATIONSHIPS WITH COUNTY AGENCIES

<i>Finding Number</i>	1999-HUM36-055
<i>CFDA Number and Title</i>	All Programs Administered by the Counties
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

OMB Circular A-133 §___.210 states, in part,:

- (b) Federal award. Characteristics indicative of a Federal award received by a subrecipient are when the organization:
 - (1) Determines who is eligible to receive what Federal financial assistance;
 - (2) Has its performance measured against whether the objectives of the Federal program are met;
 - (3) Has responsibility for programmatic decision making;
 - (4) Has responsibility for adherence to applicable Federal program compliance requirements; and
 - (5) uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

It is the Department's responsibility to evaluate all federal transactions to determine if a subrecipient relationship exists; and to notify the parties involved, in a written contract or agreement, of the nature of these relationships as well as the other parties' responsibilities for meeting the compliance and audit requirements of the single audit act and OMB Circular A-133.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

36. CONTRACTS/RELATIONSHIPS WITH COUNTY AGENCIES (Continued)

The Ohio Department of Human Services currently uses a state supervised, county administered approach for the operation of its eight major programs. Under this structure, the 88 counties in Ohio do not report these funds on their federal schedule even though they may meet all five criteria of a subrecipient, in varying degrees for each program, as defined in OMB Circular A-133. In addition, the counties must contribute local dollars as a condition of receiving this federal funding for most, if not all, of these programs. However, there are no written contracts with the counties which identify the nature of their relationships with ODHS, nor has there been a formal evaluation of these relationships.

If subrecipient relationships exist between ODHS and the county agencies and are not properly identified, the county agencies would not be subject to a separate single audit, as required by the single audit act and OMB Circular A-133. This greatly increases the risk that federal funds could be used improperly or that other program compliance requirements would not be met. In addition, under the current structure, the roles and responsibilities of the State and county agencies are not always clear, which increases the risk of noncompliance and reduces overall program effectiveness.

We recommend the Department evaluate their relationships with the county agencies to determine whether, based on the criteria in OMB Circular A-133, they should be treated as subrecipients for any or all of the federal programs involved. The Department should promptly implement or revise contracts with the counties to clearly define the nature of the relationships and each party's responsibilities. If subrecipient relationships are identified, these contracts must identify the program name and CFDA number, the award name and number, the award year, if the award is for research and development, and the name of the federal awarding agency. In addition, the contracts should incorporate basic information about the award and key provisions which would enable the counties to carry out their responsibilities and allow ODHS to monitor their activities. We also recommend ODHS review their responsibilities with regard to monitoring subrecipients, and institute the necessary control procedures to satisfy these requirements. Furthermore, all future relationships which involve federal funds should be carefully evaluated and explicit agreements defining the nature of the relationship and each party's responsibilities should be completed before funds are disbursed.

37. MEDICAID - MEQC ELIGIBILITY REVIEWS

<i>Finding Number</i>	1999-HUM37-056
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

42 CFR Section 431.812 states, "the agency must review all active cases selected from the State agency's lists of cases authorized eligible for the review month, to determine if the cases were eligible for services during all or part of the month under review, and, if appropriate, whether the proper amount of recipient liability was computed". It further states "the agency must review those negative cases selected from the State agency's lists of cases that are denied, suspended, or terminated in the review month to determine if the reason for the denial, suspension, or termination was correct and if requirements for timely notice of negative action were met". As such, it is managements responsibility to implement internal control monitoring procedures to provide assurance that reviews are performed both accurately and completely and that adequate evidential matter exists for such reviews.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

37. MEDICAID - MEQC ELIGIBILITY REVIEWS (Continued)

On a sample basis, the Medicaid Eligibility Quality Control (MEQC) section performs both active and negative case reviews to verify those clients who were found eligible to receive benefits were properly determined to be eligible, and those clients that were found ineligible to receive benefits were properly denied medical assistance or properly terminated. Established procedures require these reviews to be approved by appropriate supervisory personnel. However, five of 60 active, auxiliary, or negative case review files selected for testing from the 2,413 performed during fiscal year 1999 showed no evidence of supervisory review and approval (as documented on the corresponding review schedule).

With supervisory review and approval of active and negative case reviews, management can be more reasonably assured that such reviews are performed accurately and consistently decreasing the risk that ineligible clients could be falsely determined to be eligible, or eligible clients could be either improperly denied medical assistance or terminated.

The MEQC Supervisor stated there had been a supervisory transition, therefore, the MEQC supervisory reviews of negative case review files had not been performed since the departure of the previous Supervisor in March of 1998. Furthermore, she stated the lack of District supervisory review of the active case review internal control failures noted were merely oversights on the District Supervisors' behalf.

We recommend the Department implement ongoing training to provide reasonable assurance that all personnel are aware of changes in updates/changes in federal requirements and ODHS procedures related to MEQC reviews. We also recommend management reinforce the importance of performing and documenting the required supervisory reviews and periodically monitor the activities of the supervisory personnel to help ensure they are performing these reviews accurately and consistently.

In the Corrective Action Plan on page 252, the Department indicates this weakness was corrected before the fiscal year end. However, we were not presented with any physical evidence during our audit which would substantiate that fact.

38. MEDICAID - VERIFICATION OF THIRD-PARTY LIABILITIES

<i>Finding Number</i>	1999-HUM38-057
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

42 CFR 433.138 requires the state to take reasonable measures to determine the legal liability of third parties for payment of services furnished under the plan. At a minimum, the Department must obtain health insurance information from Medicaid providers, follow up on such information, and maintain sufficient documentation to reasonably ensure legal third-party liabilities are identified and claim recoveries are made in a timely manner, as required.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

38. MEDICAID - VERIFICATION OF THIRD-PARTY LIABILITIES (Continued)

To facilitate the identification of potential third-party liabilities, the Department has established a Third-Party Liability Unit who primarily uses three methods for obtaining insurance carrier information from providers. First, the Unit receives "Health Insurance Fact Forms" (ODHS 6614's) containing third-party (insurance carrier) liability information. Providers are instructed in their provider agreements to submit this form if they become aware there may be a potential third-party liability. Second, the Medicaid Management Information System (MMIS) generates a weekly Cost Avoidance Exception Report which identifies all claims paid by Medicaid for which the provider indicated partial payment was received from a third party. For each line item over \$500, a Cost Avoidance Worksheet requesting third-party information is prepared and mailed to the provider by the Third-Party Liability Unit. Third, the county agency completes Health Insurance Information Forms (ODHS 6612). These files are sorted separately from the rest of the public assistance groups because the verification of insurance information has already been attached by the county agency. All third-party liability information obtained by the Third-Party Liability Unit is verified with the appropriate insurance carrier and a third-party liability file is created within MMIS to prevent Medicaid from paying claims that would otherwise be the responsibility of a third party. However, we noted the following with regard to the 4,150 third-party liability cases created during the audit period:

- there were no control procedures in place to provide assurance the third-party liability files created were accurate and complete.
- no tracking procedures were in place to ensure all Cost Avoidance Worksheets mailed had been returned.
- the required letter was not attached (ODHS 6612) or phone call documented (ODHS 6614 or CAW) indicating the examiner verified the information with the respective insurance carrier to ensure it was accurate and complete for 20 of 60 cases selected.
- nine of 60 cases selected did not have a third party liability file created, or the file did not agree with the corresponding 6612, 6614 or Cost Avoidance Worksheet.
- for 20 of 60 cases selected, the Insurance Coverage Dates did not agree with those on the verification form or, if not listed, the clients eligibility date.

Under these conditions, management cannot gauge the effectiveness of internal control procedures applied to fulfill their duty to identify legally liable third parties or be reasonably assured that items requiring follow-up are being properly and timely resolved. In addition, management has only limited assurance that all incoming ODHS 6612's, ODHS 6614's, and Cost Avoidance Worksheets are verified for accuracy and completeness before being entered into MMIS.

If the Department is not able to accurately identify liable third parties and recoup over-payments related to third-party obligations, the amount of program funds available for eligible Medicaid recipients would be reduced, limiting managements ability to achieve program objectives. Furthermore, inaccurate or incomplete information could lead to claims being unjustly rejected or erroneously paid.

The Cost Avoidance Supervisor stated that new procedures had been put in place to evidence the phone verification of the information on the ODHS 6614's and the Cost Avoidance Worksheets, however, the failures noted were merely human oversight on the behalf of personnel.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

38. MEDICAID - VERIFICATION OF THIRD-PARTY LIABILITIES (Continued)

We recommend initial training be given to all existing personnel regarding the established procedures and their responsibilities regarding the verification of ODHS 6614's and Cost Avoidance Worksheets; and ongoing training be conducted to provide reasonable assurance that all changes or updates to procedures are properly communicated. We also recommend the Department devise internal control procedures to track Cost Avoidance Worksheets, resulting in a means to gauge their effectiveness in attaining third-party liability information, which could be evidenced in the form of a log maintained by the Third-Party Liability Unit. In addition, the Department should devise and implement control procedures requiring a review of all third party liability files created within MMIS. This review should verify the file agrees to the information on the corresponding ODHS 6612, ODHS 6614, or Cost Avoidance Worksheet. Such review could be evidenced by the reviewer's signature and the date on the appropriate health insurance information form.

In the Corrective Action Plan on page 253, the Department disagrees with portions of this finding and clarifies the process used to verify the accuracy of the insurance information, as submitted on the various forms. However, the comment is addressing the lack of controls to ensure this information is accurately and completely input/maintained in the files within the MMIS system which utilizes the data.

39. MEDICAID - DOCUMENTATION OF REVIEWS

<i>Finding Number</i>	1999-HUM39-058
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

It is managements responsibility to design and implement internal control policies and procedures to reasonably ensure compliance with federal laws and regulations. In a strong internal control environment, these control procedures would include initial reviews performed by staff members, as well as supervisory reviews to evaluate the accuracy and completeness of work performed by staff. It is imperative the performance of these control procedures be documented to provide management with some assurance they are being performed timely and consistently.

The Ohio Department of Human Services currently maintains various units responsible for monitoring provider eligibility and compliance with Medicaid rules and regulations. These units include Surveillance and Utilization Review (SUR) which performs provider reviews in an effort to identify over utilization of Medicaid services; Provider Enrollment which determines provider eligibility; Hospital Audits which performs desk reviews of hospital cost reports; and Long-Term Care which performs desk reviews of long-term care facility cost reports. We noted the following with regard to the control procedures tested for these units:

SUR Unit - This unit has established certain internal controls which require each provider review be evaluated by the Area Coordinator to ensure accuracy and completeness. However, for five of 60 provider reviews tested, out of approximately 400 performed annually, the SUR Unit maintained no evidence this control was in place and operating as intended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

39. MEDICAID - DOCUMENTATION OF REVIEWS (Continued)

Provider Eligibility - Of the 60 reviews tested from the more than 5,000 provider application packages reviewed during fiscal year 1999:

- 58 required a staff review; there was no evidence three of these reviews were performed.
- 55 required a supervisory review; there was no evidence two of these reviews were performed.
- 50 required a Section Chief approval on the provider agreement; one application did not contain evidence of this approval.

Hospital Audits - Of the 25 interim reviews tested from the more than 230 performed during fiscal year 1999, we could not locate four route slips, therefore, we could not determine if the reviews performed by the staff auditors and the lead auditors were performed. Of the 20 final settlement reviews tested from the 217 performed during fiscal year 1999, we could not locate 16 route slips, therefore, we could not determine if the reviews were performed by the staff auditors and the lead auditors.

Long-term Care - For three of 20 audit files tested from the 265 long-term care audits performed during fiscal year 1999, there was no evidence of a supervisory review and approval of the audit pack; for one out of 20 audit files tested, the audit program was not initialed and dated by the staff auditor; and for one out of 10 audit files tested, the audit was not completed within three years after the submission date of the cost report, as required by federal regulations.

Without documenting the existence of controls, there is a risk that procedures may not be working in a manner intended by management, increasing the risk that management's objectives will be not achieved. Departmental personnel indicated that several of the SUR exceptions noted were from self audits performed by the provider themselves, for which a supervisory review was not historically performed. The remaining exceptions were oversights on the Department's behalf.

We recommend the Department implement control policies and procedures which provide reasonable assurance that all staff and supervisory reviews, including self-reviews by providers, are performed and/or evaluated for accuracy and completeness by the appropriate supervisor. The performance of these procedures should be documented by the staff and supervisory personnel in the review file or on other appropriate forms. We also recommend periodic monitoring by upper management be performed to provide additional assurance the established procedures are in place and consistently operating as intended.

40. MEDICAID - PROVIDER OVERPAYMENT CONTROLS

<i>Finding Number</i>	1999-HUM40-059
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

According to 42 CFR 433.300 through 433.320 and 433.400, the State is required to credit the Medicaid program for (1) State warrants that are canceled and uncashed checks beyond 180 days of issuance (escheated warrants) and (2) overpayments made to providers of medical services within specified time frames. In most cases, the State must refund provider overpayments to the Federal Government within 60 days of identification of the overpayment, regardless of whether the overpayment was collected from the provider. It is managements responsibility to design and implement control procedures to reasonably ensure provider overpayments are accurate and complete, and refunded within 60 days of identification.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

40. MEDICAID - PROVIDER OVERPAYMENT CONTROLS (Continued)

The Ohio Department of Human Services (ODHS) identifies provider overpayments in audit procedures (desk & field) performed by the Surveillance and Utilization Review (SUR) Unit and outside contractors. There are two types of over-payments identified by SUR, audit settlements and desk review findings. SUR Audit settlements/overpayments identified are forwarded to the ODHS Federal Reporting Section on a quarterly basis for inclusion on the HCFA-64 report. However, there are no procedures in place to provide assurance that overpayments identified through one outside contractor and SUR desk reviews are refunded within 60 days of identification; instead these amounts are refunded as they are collected from the provider. In addition, the Department receives a monthly listing of voided and canceled warrants from AOS. CAS adjustment letters are prepared on a periodic basis to account for these voided and canceled warrants and are sent to State Accounting for input. However, internal control procedures do not exist to reconcile adjustment letters to the amount recorded in CAS; and five of eight letters tested showed no evidence they were reviewed and approved by the Section Chief, as required by internal procedures.

With the absence of appropriate internal controls, management cannot reasonably ensure provider overpayments and voided/canceled warrants were refunded timely, and in accordance with applicable laws and regulations. The Accounting Information Section Chief stated the reconciliations had not been performed due to a change in staffing.

We recommend the Department devise and implement control policies and procedures to reasonably ensure the provider overpayments and voided/canceled warrants are accurate, complete, and refunded to the federal government upon identification, as required. Such controls should be adequately documented to provide management assurance they are performed timely and consistently.

41. MEDICAID - HCAP & NURSING FRANCHISE FEES

<i>Finding Number</i>	1999-HUM41-060
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

The Ohio Department of Human Services currently administers the Hospital Care Assurance Program (HCAP), in conjunction with the Medicaid Program, to offset expenses incurred by participating hospitals in their service to Ohio's indigent population. In addition, the Department assesses all nursing facilities and intermediate care facilities for the mentally retarded a franchise fee for the purpose of providing home and community-based services to elderly and disabled persons. To promote the accomplishment of these program objectives, it is management's responsibility to establish and implement internal control procedures which reasonably assure transactions are accurately and completely processed. These controls must be monitored by appropriate supervisory personnel to ensure they are in place and operating effectively.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

41. MEDICAID - HCAP & NURSING FRANCHISE FEES (Continued)

Departmental personnel indicated various controls were performed to monitor the assessment and collection of fees for participating HCAP hospitals (totaling approximately \$236 million) and all nursing facilities and intermediate care facilities fees (totaling approximately \$56 million). However, there was no evidence to document the Accounts Receivable Section Chief's reviews of the Daily Deposit and Weekly Document Processing Activity reports to monitor for timely deposit and the number of items processed; nor was there any evidence that internal control procedures ensuring the accuracy and completeness of amounts used to calculate HCAP assessments, were in place and operating effectively. In addition, HCAP personnel utilize the Ohio Administrative Code to ensure compliance with applicable laws and regulations. However, a policies and procedures manual does not exist to promote the consistent application of program procedures from year to year. The need for written policies and procedures was further corroborated by the fact that prior year's ending fund balance was not considered when calculating the current year's assessment amounts.

If appropriate monitoring controls are not in place and/or not documented, management may not be reasonably assured collections and distributions associated with HCAP and Nursing Franchise Fees are accurate, complete, and in accordance with laws, regulations, and management intentions; or that revenues are deposited in a timely manner. Without documented policies and procedures, the risk that transactions will be processed inconsistently or inaccurately is increased; and could result in activities not being performed in accordance with management's intentions, particularly in the event of turnover among key personnel.

The supervisory personnel involved in processing the revenue indicated they had not considered the need to retain evidence of their reviews, but agreed it would be prudent to do so. HCAP personnel noted the Ohio Administrative Code sufficiently serves as their policy and procedure manual and they believed the failure to account for the prior year's fund balance was attributed to turnover in program personnel.

We recommend management implement appropriate policies and procedures to require all supervisory reviews and other monitoring procedures related to HCAP and Nursing Franchise Fee assessments and collections be evidenced in some way. This would include maintaining copies of all daily deposit and weekly document processing activity reports, with evidence of the Section Chief's review. In addition, all efforts ensuring the accuracy and completeness of HCAP assessment amounts should be documented. This documentation could be in the form of the reviewers signature/initials and date on the document, with notes and other markings on the documents, or in some other acceptable manner to provide evidence the control was performed and any action which resulted. We also recommend the Department develop a policies and procedures manual for the HCAP program which would help promote the accomplishment of applicable statutory requirements, as identified within the Ohio Administrative Code, and consistency in the application of program procedures. These policies and procedures should specifically identify employees' responsibilities within each program area and be formally communicated to all current and future employees.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

42. MEDICAID - LONG-TERM CARE PATIENT LIABILITIES

<i>Finding Number</i>	1999-HUM42-061
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

Federal regulations require States to identify medical costs that are the legal obligations of third parties and to exhaust those resources prior to paying claims with Medicaid program funds. Such obligations would include long-term care patient liabilities derived from beneficiary resources and/or private health insurers. It is managements responsibility to ensure internal controls are implemented to reasonably ensure these third-party liabilities are identified and applied to claims for reimbursement to long-term care facilities.

The Department's Medicaid Management Information System (MMIS) calculates payment amounts (totaling approximately \$2.4 billion) to Nursing Facilities and Intermediate Care Facilities for the Mentally Retarded for Medicaid services provided. MMIS reduces the claims for reimbursement by the patient liability amounts obtained from an interface with the Client Registry Information System - Enhanced (CRIS-E). This CRIS-E data is entered by the county case worker, and can change on a daily basis. However, the interface between the two systems takes place only once each month and ODHS personnel could not specifically identify when it occurs. In addition, the patient liability amount used to calculate the monthly long-term care facility payment did not agree to amounts posted within CRIS-E for eight of the 52 remittances tested, resulting in a net underpayment of \$2,349.

Incorrect patient liability amounts within the MMIS increases the risk that payments to long-term care providers will be inaccurate. An underpayment would cause a recipient to lose benefits to which they would otherwise be entitled, whereas, an overpayment would result in an overstatement of federal claims, subjecting the State to questioned costs and potential sanctions. Departmental personnel could not explain the discrepancies in the patient liability information between MMIS and CRIS-E.

We recommend the Department evaluate the manner in which MMIS interfaces with CRIS-E to determine whether amounts used to calculate long-term care facility payments are accurate and/or complete. In addition, the Department should sample provider remittances on a periodic basis to ensure the interface is operating as intended.

The Corrective Action Plan on page 256 indicates the audit contains two oversights; the interface occurs daily and that adjustments may not have been considered. However, possible adjustments were considered and Department personnel could not locate any documentation of adjustments; and, although updates may occur daily, the payment information is based on the resource amount identified on a specific date each month. ODHS personnel could not identify which date that was.

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43. MEDICAID - MANAGED CARE PROVIDER VERIFICATION

<i>Finding Number</i>	1999-HUM43-062
<i>CFDA Number and Title</i>	93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

It is managements responsibility to design and implement internal control procedures to reasonably ensure compliance with federal laws and regulations. A sound internal control structure requires procedures performed be thoroughly documented to provide management with some assurance they are being performed timely and consistently.

The Ohio Department of Human Services (ODHS) operates a Managed Care Program in accordance with Section 1115 of the Social Security Act. The Operational Protocol for the Ohio 1115 Medicaid Waiver, approved by the Federal Health Care Financing Administration, stated "ODHS will monitor MCP [primary care physician (PCP)] capacity to determine adequacy on an ongoing basis...". To satisfy this requirement, ODHS established specific PCP capacity requirements for each county in their MCP (Managed Care Plan) agreement to ensure an appropriate number of providers are available to recipients. Although there is evidence of corrective actions taken against the MCPs who were out of compliance, there is no available documentation to support that monthly monitoring occurred during the audit period.

Without documenting the monitoring procedures performed, management is unable to provide reasonable assurance that program compliance is achieved, increasing the risk of sanctions which would limit the amount of funding available for program activity, or result in the State's waiver being withdrawn.

ODHS personnel stated they created sample versions of a report each month to develop the most useful report format. Following the selection of the best format, the developed trial reports were unusable and subsequently thrown away. Starting in June of 1999, a standard report format was selected and will be maintained to document their review of MCP compliance with provider panel and capacity requirements.

It is our recommendation the Department implement appropriate procedures to reasonably ensure the newly developed reports thoroughly document MCP reviews, are prepared on a consistent basis, and are retained. Appropriate documentation could be the reviewer's date and initials, either on the document being reviewed or on a review checklist.

44. CHILD CARE DEVELOPMENT FUND - MONITORING PROCEDURES

<i>Finding Number</i>	1998-HUM44-063
<i>CFDA Number and Title</i>	93.596/93.575 - Child Care Cluster
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

To help provide assurance the Department of Human Services is in compliance with federal requirements for the Child Care Cluster requirements, management has designed monitoring control procedures which include periodic on-site reviews at the various county agencies. Departmental policies require: 1) the county

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44. CHILD CARE DEVELOPMENT FUND - MONITORING PROCEDURES (Continued)

agency to be informed of the visit via an engagement letter, 2) the results of the review to be communicated to the county in a compliance letter, and 3) the county agencies to submit responses for significant findings, and take corrective action on all findings.

Of the 40 Child Care Cluster program monitoring files (20 certification and 20 eligibility) selected for testing from the 88 annual county reviews conducted during fiscal year 1999:

- two did not contain an engagement letter informing the county of the monitoring visit and the procedures to be performed;
- three did not contain a response letter from the county, as required;
- two contained no evidence to ensure the ODHS Child Care personnel had performed follow-up procedures for the counties who did not respond timely to deficiencies identified; and
- four were unavailable for review.

Without performing adequate monitoring procedures and/or maintaining the necessary supporting documents, management may not be reasonably assured the Department is in compliance with federal program requirements. This increases the risk that necessary corrective actions may not be properly or timely implemented resulting in questioned costs, noncompliance, and/or fines or penalties which could adversely affect program funding. Per discussion with the Section Chief of Family Services, there is no apparent explanation for the exceptions noted. The missing files and documents must have been misfiled or misplaced.

We recommend the Department implement policies and procedures to ensure the monitoring reviews are complete and proper supporting documentation is maintained. This could be attained through a supervisory review of the monitoring files; a check list may be helpful to ensure all required procedures were followed and the appropriate documents are on file. The supervisory reviews should be documented in the form of the reviewer's signature or initials and date in the file. We also recommend the Department evaluate its current filing process to determine where improvements can be made to help ensure these monitoring files are accessible and remain intact.

45. INTERNAL AUDITS - TESTING AUTOMATED CONTROLS

<i>Finding Number</i>	1999-HUM45-064
<i>CFDA Number and Title</i>	All Programs Administered by the Department
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

Federal regulations allow, and in some cases require, States to utilize computer systems for processing individual eligibility determinations and delivery of benefits. Often these computer systems are complex and separate from the agency's regular financial system. Typical functions of complex computer systems may include evaluating applicant information and determining eligibility and/or benefit amounts; maintaining eligibility records; determining the allowability of services, tracking the period of time an individual is eligible;

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45. INTERNAL AUDITS - TESTING AUTOMATED CONTROLS (Continued)

and maintaining financial, statistical, and other data which must be reported to grantor federal agencies. It is management's responsibility to establish and implement internal control procedures which reasonably ensure program objectives and requirements are met and information (both financial and nonfinancial) is accurately and completely processed and maintained. Appropriate monitoring must be performed to provide assurance the established manual and automated controls are operating effectively. In addition, federal regulations require States to perform a periodic risk analysis to ensure appropriate, cost effective safeguards are incorporated on all new and existing systems.

The Ohio Department of Human Services places significant reliance on a number of complex information systems (CRIS-E, FACSIS, MMIS, and SETS) to record and process eligibility and financial information for all their major federal programs. However, the number and scope of any internal audits of these systems is severely limited because the Bureau of Research Assessment and Accountability's Audit Quality and Technical Support section utilized only one Information Systems Auditor for a portion of this fiscal year; this individual was then transferred to another section. Instead, management relies heavily on the Department's Management Information Systems (MIS) personnel and outside contractors to review, monitor, and trouble shoot problems as they arise, even though these individuals may lack the necessary objectivity and independence because they are responsible for programming and operating these critical systems. In addition, the Department's MIS Section completed the risk analysis of the data processing systems in conjunction with the Department's overall Internal Accounting Controls (IACP) Review in 1998, however, it was not clear if this analysis met all the requirements specified in the federal regulations, and the reliability of the information may be questionable since it was not prepared by an independent party. This analysis was not updated in 1999.

Without sufficient, experienced internal auditors with the technical skills necessary to independently analyze, evaluate, and test their complex information systems, management may not be reasonably assured these systems are processing transactions accurately, completely, and in accordance with federal compliance requirements. This increases the risk of noncompliance with federal regulations and of material errors or misstatements within the data processed, resulting in inappropriate determinations regarding eligibility, allowability, and/or benefit amounts. ODHS audit personnel indicated the Department has not put a high priority on maintaining Information Systems Auditors for the Bureau of Internal Audits, but concurred with the need to maintain sufficient technical staff and to review the Department's critical computer systems.

We recommend ODHS management evaluate the current priority placed on the review of significant computer systems (CRIS-E, FACSIS, MMIS, and SETS) used to process and maintain critical information regarding the Department's compliance with federal laws and regulations. Additional auditing and review procedures should be implemented to provide management with reasonable assurance these systems, which are so heavily relied upon in administering major federal programs, are operating effectively and in accordance with program guidelines. We also recommend management review the risk analysis requirements related to data processing systems and implement/amend procedures as necessary to reasonably ensure their compliance. The analysis and audits could be conducted by internal information systems auditors or other independent personnel with the necessary technical skills. All test procedures, working papers, etc. related to the analysis and the audits should be maintained and the results and recommendations should be communicated, in writing to Director and/or other appropriate upper management who should evaluate the results and ensure timely corrective action is taken to address risk areas and/or weaknesses identified.

The Corrective Action Plan on page 258 requests clarification on specific steps to be taken by the Department. Although discussions were held with Department personnel during fieldwork, we would be happy to meet, at the Department's request, to provide additional information and direction.

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46. LATE COUNTY REPORTS - VARIOUS COUNTIES

<i>Finding Number</i>	1999-HUM46-065
<i>CFDA Number and Title</i>	All Programs Administered by the Counties
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

County agencies are advanced or reimbursed federal monies to administer various programs on behalf of the Ohio Department of Human Services (ODHS). These county agencies are required to submit monthly financial and other reports to identify program outlays/activities and provide information to ODHS which is then used to prepare cumulative federal reports and various schedules used by the Office of Budget and Management to compile the State's financial statements. To facilitate the completion and submission of these reports, ODHS has established policy and procedural manuals to identify applicable reporting requirements, as indicated below:

The ODHS 2827 Monthly Financial Statement (public assistance programs) must be submitted to ODHS no later than the last day of the month following the expenditure month. [ODHS Administrative Procedural Manual Section 7902]

The ODHS 2820 Monthly Financial Statement (children services programs) must be submitted no later than the 20th day of the month following the expenditure month. [ODHS Administrative Procedural Manual Section 7901]

The ODHS 2750 Monthly Financial Statement (child support program) must be submitted no later than the 20th day of the month following the expenditure month. [ODHS Child Support Enforcement Manual Section 5041]

FNS-46 Food Stamp Program Issuance Reconciliation Report must be submitted to the ODHS Food Stamp/TEFAP (Temporary Assistance Food Assistance Program) section no later than 90 days following the report month, prior to December 1, 1998; and no later than 60 days following the report month, after December 1, 1998. [Food Stamp Supervisor Handbook Section 5101:4-38-35 (B)]

FNS-250 Food Coupon Accountability Report must be submitted to the ODHS Food Stamp/TEFAP (Temporary Emergency Food Assistance Program) Section by the 45th day of the month following the end of the report month, prior to December 1, 1998; and by the 20th day of the month following the end of the report month, after December 1, 1998. [Food Stamp Supervisor Handbook, Section 5101:4-37-19 (B)].

ODHS 4282 Title XX Social Services Block Grant Report must be submitted to ODHS no later than 45 days after the end of the month, even if SSBG direct services were not provided and/or purchased services expenditures were not made during the month. [ODHS Administrative Procedural Manual 5501]

The ODHS 4281 Children Services Quarterly Statistical Report must be submitted to ODHS no later than the 15th of the month following the end of the quarter. [ODHS Administrative Procedural Manual 5405]

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OHIO DEPARTMENT OF HUMAN SERVICES

46. LATE COUNTY REPORTS - VARIOUS COUNTIES (Continued)

The ODHS 4223 Quarterly Child Support Report must be received by the ODHS office of fiscal services, reports and statistics section no later than the fifteenth calendar day of the month following the reported quarter, or the next business day after the fifteenth if the fifteenth is not a business day. [Ohio Admin. Code Section 5101:1-31-60(C)]

The ODHS 4228 Claims of Good Cause for Refusing to Cooperate in Establishing Paternity and Securing Child Support must be received by the ODHS Office of Fiscal Services, Bureau of Financial Analysis and Reporting no later than the fifteenth calendar day of the month following the reported quarter, even if no control group cases are reported during the quarter. [ODHS Administrative Procedural Manual 5340]

The ODHS 4234 Annual Child Support Statistical/Financial Report must be received by the ODHS office of fiscal services, reports and statistics section no later than October fifteenth following the end of the federal fiscal year (FFY), or the next business day after the fifteenth if the fifteenth is not a business day. [Ohio Admin. Code Section 5101:1-31-62(C)]

The ODHS 4289 Monthly Child Support Collections Report must be received by the ODHS Office of Fiscal Services, Reports and Statistics Section no later than the fifteenth calendar day of the month following the reported month, or the next business day after the fifteenth if the fifteenth is not a business day. [Ohio Admin. Code Section 5101:1-31-63(C)]

Of the ten counties tested during the audit period, nine submitted one or more reports beyond the required due dates, as detailed below (NOTE: @ = no documentation was maintained by the county to indicate when these reports were submitted, therefore, we could not determine if they were timely; and NP = reports were not prepared/available for review).

Report: ODHS 2827 Program(s) Affected: Food Stamps, TANF, SSBG, Child Care, & Medicaid		
County	# Late / # Tested	Days Late
Hamilton	1/4	38
Montgomery	2/4	8 - 20

Report: ODHS 2820 Program(s) Affected: Foster Care and Adoption Assistance		
County	# Late / # Tested	Days Late
Hamilton	4/4	4 - 37
Montgomery	2/4	2 - 6

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46. LATE COUNTY REPORTS - VARIOUS COUNTIES (Continued)

Report: ODHS 2750 Program(s) Affected: Child Support		
County	# Late / # Tested	Days Late
Hamilton	4/4	4 - 37
Montgomery	2/4	5 - 31

Report: FNS - 250 Program(s) Affected: Food Stamps		
County	# Late / # Tested	Days Late
Cuyahoga	5/7	13 - 272
Lorain	1/4	NP

Report: FNS - 46 Program(s) Affected: Food Stamps		
County	# Late / # Tested	Days Late
Cuyahoga	4/7	5 - 43

Report: ODHS 4282 Program(s) Affected: Social Services Block Grant		
County	# Late / # Tested	Days Late
Cuyahoga	2/7	134 - 225
Montgomery	3/3	44 - 177
Franklin	4/5	30 - 150
Lucas	4/4	96 - 220
Delaware	10/12	30 - 360
Union	2/3	11 - 63

Report: ODHS 4281 Program(s) Affected: Foster Care and Adoption Assistance		
County	# Late / # Tested	Days Late
Montgomery	2/3	3 - 9

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46. LATE COUNTY REPORTS - VARIOUS COUNTIES (Continued)

Report: ODHS 4289 Program(s) Affected: Child Support		
County	# Late / # Tested	Days Late
Montgomery	1/3	3
Lorain	4/4	2-45
Summit	4/4	3-8
Hancock	2/2	@
Union	3/3	@

Report: ODHS 4281 Program(s) Affected: Foster Care and Adoption Assistance		
County	# Late / # Tested	Days Late
Montgomery	2/3	3 - 9

Report: ODHS 4223 Program(s) Affected: Child Support		
County	# Late / # Tested	Days Late
Montgomery	3/3	@
Hancock	2/2	@
Union	1 / 2	26

Report: ODHS 4234 Program(s) Affected: Child Support		
County	# Late / # Tested	Days Late
Montgomery	1/1	@
Hancock	1/1	4
Union	1/1	153

Report: ODHS 4228 Program(s) Affected: Child Support		
County	# Late / # Tested	Days Late
Hamilton	2/2	NP
Montgomery	2/2	NP
Lorain	1 / 2	30
Franklin	2/2	30 - 120
Hancock	2/2	@
Union	2/2	@

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46. LATE COUNTY REPORTS - VARIOUS COUNTIES (Continued)

Without accurate and timely reporting by the various county agencies, the risk that amounts reported to the federal grantor agencies and/or on the State's financial statements are not indicative of actual program activities is greatly increased. In FY 1999, delays in receiving county financial information significantly delayed the preparation of certain GAAP Package Schedules used to provide information for the preparation of the State's financial statements.

County personnel identified a variety of reasons for not preparing the reports and/or not submitting them timely, including delays from the county auditor, being given verbal extensions by ODHS, and not knowing about the report requirements. This suggests that improper or insufficient training and communications have been provided to the counties. In addition, the CORE system, used to submit financial information for the public assistance and child support areas, will not process transactions for a current month until all prior months have been entered. This sometimes compounds reporting delays when there is an issue with just one month.

We recommend ODHS improve communications with county agencies and verify that each county thoroughly understands the reporting requirements documented in the various policy manuals. Any changes to the requirements, including deadlines, should be promptly communicated to the counties, in writing, and the corresponding procedures manuals changed. In addition, any extensions granted to counties should be clearly documented, in writing, so that each party is sure of the expectations. ODHS should also enhance their monitoring procedures related to county reporting to identify those counties who are habitually late and enforce punitive measures for those counties, as provided for in the procedures manuals and Ohio Administrative Code.

47. MISSING DOCUMENTATION - VARIOUS COUNTIES

<i>Finding Number</i>	1999-HUM47-066
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.596/93.575 - Child Care Cluster 93.658 - Foster Care 93.659 - Adoption Assistance 93.667 - Social Services Block Grant 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

When administering federal grant awards for the Ohio Department of Human Services (ODHS), it is the counties' responsibility to provide reasonable assurance that only eligible individuals receive assistance and the information reported to ODHS is accurate and complete. In order for county management to ensure and verify this, it is imperative that appropriate supporting documentation be maintained for all amounts reported, and case files contain all pertinent information relating to the case and be readily accessible for review and/or reference. The Ohio Department of Human Services Administrative Procedure Manual Chapter 9212 states, in part:

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47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

Financial, programmatic, statistical, and recipient records and supporting documents must be retained for a minimum of three years. The minimum retention period for public assistance records depends upon whether the assistance group is active or inactive. ODHS requires inactive assistance group records to be held for a minimum of three years after the group has become inactive. For active assistance groups, or assistance groups that have been inactive for less than three years, ODHS requires a minimum retention period of seven years for documentation, including old application/re-application forms and monthly reporting forms which were obtained for the assistance group record.

The Ohio Department of Human Services is responsible for establishing guidelines and regulations for implementation at the county level and for monitoring county activities to reasonably ensure the Department's compliance with federal program requirements.

Seven of the ten counties tested during the audit period did not have appropriate supporting documentation for amounts reported and/or were missing required case file documentation, as detailed below:

COUNTY	CFDA #	MISSING DOCUMENTATION
Hamilton	93.596/ 93.575	The Hamilton County Department of Human Services (HCDHS) developed and implemented various internal controls for the redetermination of Child Care benefits. One internal control implemented provides the HCDHS feedback on the service rendered by the Day Care providers. A "Parent Feedback on Provider Service Form" is to be completed and signed by the client and/or the Consumer Specialist and placed in the clients file at redetermination. The Parent Feedback on Provider Service Form was developed to allow parents to express their opinion of the Day Care provider and for the HCDHS to note any significant problems or deficiencies. If the parents do not have comments, the feedback form must still be placed in the file indicating "no comment." However, of the 20 files tested from the 6,000 Child care cases of Hamilton County, five did not contain Parent Feedback on Provider & one form was not signed by the client or consumer specialist.
Cuyahoga	93.596/ 93.575 10.551/ 10.561, 93.558, 93.596/ 93.577, 93.667& 93.775/ 93.777/ 93.778	We tested 20 of the 19,000 Child Care case files for Cuyahoga County and noted 11 of them did not include a Notice of Approval form. This represents a breakdown in the procedures that ensure compliance over maintaining supporting documentation as evidence the clients receiving services by the Children Day Care and Development Program were approved. Of the reports tested for fiscal year 1999: <ul style="list-style-type: none"> • Two of seven original monthly FNS-46 reports (February and May 1999) reports were not retained after they were revised; • Eight of 88 FNS-250 original reports from the 18 issuance centers used to prepare the compiled FNS 250 amount for the county. The months of July, August, September and November 1998 were not retained after they were revised; • Two of four monthly ODHS 2827 reports (September 1998 and April 1999) were revised but the file did not contain a copy of these revised reports.

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47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

COUNTY	CFDA #	MISSING DOCUMENTATION
Lucas	93.558	<p>Of the 20 files selected for testing from the 1,089 TANF/Prevention Retention and Contingency (PRC) cases processed by Lucas County:</p> <ul style="list-style-type: none"> • 13 case files did not contain a PRC application; • 3 PRC applications were not signed by the caseworker indicating the caseworker had determined the eligibility status of the client and had obtained the necessary documentation; • 5 PRC applications were not signed by the caseworker's supervisor indicating the application had been reviewed and approval given for payment of benefits; • 3 transactions were not recorded in the state-wide CRIS-E computer system's Running Comments section (CLRC); and • 12 transactions were not recorded in the CRIS-E Individual Eligibility History (IQEL). <p>Of the 19,619 TANF/Ohio Works First (OWF) cases and 7,705 TANF/OWF Self Sufficiency Contracts (SSCs which set forth the rights and responsibilities of the assistance group, including work requirements and time limits) processed by Lucas County:</p> <ul style="list-style-type: none"> • 11 of 20 OWF case files did not contain the original application (Form 7200); • 6 of 10 case files did not contain the Notice of Approval or Denial which is required to be mailed to all applicants; • 3 of 10 SSCs were not signed by the caseworker, as required; & • 2 of 10 SSCs were not signed by the client/recipient, as required.
	93.596/ 93.575	<p>Of the 20 child files selected for testing from the 2,479 Child Care Cluster cases of Lucas County, we noted:</p> <ul style="list-style-type: none"> • five Child Care Authorization/Placement forms which did not have the Child Care Benefits Disposition portion completed; • one did not include supporting documentation for the income verification; and • one case file could not be located, therefore, we were unable to review the application and supporting documentation.
	93.658 and 93.659	<p>The current process in place in Lucas County requires the Supervisor of Entitlements to complete and sign a supervisory checklist as indication that all Foster Care and Adoption eligibility requirements have been met. However, of the 20 Foster Care files selected for testing from the 856 cases of the county, three did not contain a supervisory checklist; and two of 20 cases selected for testing from the 1,360 Adoption Assistance did not contain a supervisor checklist on redeterminations, and, one adoption assistance file tested did not include a copy of the agreement with the parent.</p>

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47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

COUNTY	CFDA #	MISSING DOCUMENTATION
Summit	93.563	The Assistant Director is responsible for preparing the ODHS 4223, 4228, and 4234 reports. During our review, he could not locate the signed copy of these reports nor any documentation which would support the information submitted to ODHS. Given this situation, these reports could not be tested.
	93.659	One of ten Title IV-E Adoption Assistance case files tested from approximately 657 active Summit County Children Services Board (SCCSB) cases did not include a Title IV-E Adoption Assistance Application (ODHS 1451), although other documentation was in the file to substantiate the eligibility determination made.
Hancock	93.667	The Hancock County Department of Human Services currently uses the Adult Abuse, Neglect, and Exploitation Report to document referrals for Adult Protective Services, which are part of the agency's Social Services Block Grant program. However, three of 10 cases reviewed from the 91 Adult Protective Services cases in Hancock County did not contain any documentation of the source of the referral, and the Report had not been completed for five of the 10 cases tested.
Union	93.658	<p>We noted the following missing records during our review of 10 of the 23 active Foster care cases in Union County:</p> <ul style="list-style-type: none"> • ODHS form 1451, application for foster care, was not on file for one of ten cases; • Child care agreement to be signed by the foster parents, case worker and foster care coordinator was not on file for three of ten cases; • Foster Care Determination/Redetermination forms, to be completed every six months, were not on file for nine of nine cases that required a redetermination. • The initial court order, which includes the reasons for removal of the child, was not on file for two of twelve cases; • Information was not present in the file documenting whether the child was removed by judicial determination or voluntary placement for two of twelve cases; • Documentation was not present to determine that court action was taken in a timely manner for two of twelve cases.
Delaware	93.596/ 93.575	Five of 20 applications tested from the 275 Child Care cases of the county did not contain ODHS form 4074, Notice of Approval. This notice is also mailed to the client and documents the approval of services but does not by itself document eligibility.
	93.659	<p>We noted the following missing records in the 20 case files tested from the 53 Adoption Assistance cases open during the audit period:</p> <ul style="list-style-type: none"> • The Adoption Assistance Agreement was not on file for five cases. • The Final Order of Adoption/Certification of Adoption Proceedings was not on file for eight cases. • The Adoption Placement Agreement was not on file for six cases.

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47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

COUNTY	CFDA #	MISSING DOCUMENTATION
Delaware (continued)	93.658	<p>We also noted the following missing records in the 22 case files tested from the 38 foster care cases open during the audit period:</p> <ul style="list-style-type: none"> • The original eligibility determination form, which documents the eligibility determination, was not on file for one case; • The initial eligibility determination section of the Title IV-E Foster Care Maintenance Form was not located for one case; • The judicial determination form, which includes the reasons for removal of the child, was not located for one case; • The judicial determination forms, which show the time period between the removal of the child from the home by temporary (emergency) action and the final removal of the child by court order, was not located for one case; • The original eligibility form was not completed to determine whether the child was deprived of parental support of a least one parent for one case; • The original eligibility form was not completed to determine if the child was TANF or SSI eligible for one case; • The temporary custody order, which documents the removal of the child was not located for one of 20 applicable cases tested; and • The current eligibility redetermination form which is to be prepared every six months to determine continued eligibility, was not on file for four of 19 applicable cases tested that required a redetermination.

Without appropriate supporting documentation on file, the county personnel may not be able to evaluate the appropriateness of eligibility determinations/denials, reasonably ensure the amount of benefits paid is accurate, or reasonably ensure the designed procedures are in place and operating as management intended. In addition, county and ODHS management may not be reasonably assured the amounts reported are accurate and complete, that adjustments made to original reports were appropriate, or compliance requirements are being met. Without completing and retaining a copy of the application/agreement, the county does not have a solid legal position to ensure the beneficiary's compliance with federal regulations.

Hamilton CDHS personnel indicated the " Parent Feedback on Provider Service Form" does not directly affect client's eligibility. Therefore, the case workers may neglect to complete the form or place it into the file.

The Cuyahoga County Assistant Day Care Manager did not know why these forms were not in the specific case file, but she indicated this form is also needed because it allows for the computation of adjusted gross monthly income (AGMI) as well as written notice of approval. It gives the client an opportunity to review how the AGMI and the co-payment were determined by CCDHS. The Account Clerk Supervisor indicated that if the report was incorrect and revised, there was no reason to keep the initial report. However, the Budget Officer stated that all reports should be and will be retained by CCDHS as of September 1999.

Lucas CDHS management indicated they have a policy requiring applications to be signed by the caseworker and supervisor and the items identified in our testing were considered oversights. They also indicated they sometimes create second files when the originals become too bulky and believed the missing OWF applications (Form 7200) may have been in the original file which is in storage. In addition, LCDHS Management had not considered the need to implement policies and procedures to assure the PRC activity of each recipient was being input into the CRIS-E system timely and accurately, or define exactly what

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OHIO DEPARTMENT OF HUMAN SERVICES

47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

documentation should be kept in the case files. Lucas County management considered the Child Care items to be oversights. In addition, Lucas PCSA management indicated checklists were implemented as part of a recommendation a few years ago and, in these cases, the Title IV-E Specialists have overlooked completion of the supervisory checklist and or they have been misfiled.

The Summit County Assistant Director stated his assistant, who used to maintain the signed copy of the reports as well as the supporting documentation, was no longer employed with SCCSEA and he has not kept up with the system that was in place prior to the assistant's departure in FY 98. Summit County Children Services management indicated the Board's policy requires the retention of the Title IV-E Adoption Assistance Applications in their respective case files. However, the case tested which resulted in the error was initiated seventeen years ago and the application may have been misplaced during that time.

The Hancock County Adult Protective Services Caseworker stated she assumed that all case files which do not contain documentation as to referral source have been referred anonymously. When the case worker determined the individual referred did not warrant any protective services, it was customary to forego completion of the Adult Abuse, Neglect, and Exploitation Report.

According to Union and Delaware County personnel, the case files are being constantly reviewed and in the process, these missing documents could have been misfiled or misplaced.

To address the specific weaknesses noted at the counties tested, we recommend:

- the Child Care Section of the Hamilton County Department of Human Services develop a check list of required information and forms for the client files, including forms required by the state. In addition, we recommend county management develop and document periodic supervisory review of the files to ensure accuracy and completeness. The review should cover a significant number of the Child Care case files, and be documented in a log to easily identify which files were reviewed.
- the Cuyahoga CDHS management review Administrative Rule 5101:6-2-02 and ensure their staff responsible for processing the Notice of Approval forms are aware of it. Additionally, we recommend the Child Day Care and Development Program implement control procedures which reasonably ensure the case files for the children that receive these benefits have adequate supporting documentation which evidences they have been approved by the case manager (Notice of Approval form) and apprised of their conference and hearing rights. One method to help provide this assurance would be to use a checklist which would serve as a lead sheet for each case file to quickly provide the status of the case and help ensure the proper supporting documentation is included in the file.
- Cuyahoga CDHS review the records retention requirements established by ODHS and in federal guidelines and implement control procedures which provide reasonable assurance they are in compliance with these requirements, particularly with regard to report revisions. We also recommend that records retention policies and procedures be periodically reviewed with the personnel who are responsible for records maintenance to ensure they are aware of the guidelines.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

- Lucas CDHS management enforce and/or implement control policies and procedures to provide reasonable assurance the documentation maintained in the case files and recorded on the CRIS-E system is accurate and complete. Such controls should include:
 - ▶ a review as part of the initial eligibility determination to verify all documentation and approvals/signatures have been obtained; files should then be reviewed on a periodic basis to ensure they remain intact.
 - ▶ maintaining appropriate documentation in each PRC file to allow LCDHS personnel to determine prior benefit payments to each client in order to properly evaluate their current eligibility. This would require all prior applications and related documentation be maintained in each file and a running log be maintained of all previous benefits and the balance remaining from the benefit limit established in the PRC plan (\$1,500 for Lucas County).
 - ▶ ensuring all PRC transactions have been accurately and timely recorded in the applicable CRIS-E screens, possibly through the use of a data entry checkiist.
 - ▶ transferring the original OWF application (Form 7200) to the current file of each client, if portions of the file are placed in storage, to assist the caseworker in evaluating the case.
 - ▶ maintaining a copy of all correspondence to the client, including the Notice of Approval or Denial, in each case file.
 - ▶ periodically monitoring the activities of the caseworkers and supervisors to verify the established procedures are in place and operating as intended.
- Lucas CDHS management implement and/or enforce policies and procedures which reasonably ensure all Child Care files are complete and support the eligibility determinations and benefit/co-pay amounts. This would include requiring all sections of the Child Care Authorization/Placement forms be completed, including the Benefits Disposition; documentation be maintained to support income and other eligibility criteria have been verified; and amended Child Care Authorization/Placement forms be forwarded to fiscal to ensure proper coding and benefit payments.
- Lucas County PCSA management ensure the Supervisor of Entitlements understands the policy requiring supervisory checklists to be completed and signed for each Foster Care and Adoption Assistance eligibility determination and redetermination, and that all Title IV-E Specialists and other involved staff understand their responsibilities to provide the appropriate documentation for the supervisor's review. This may require specific training be provided to these individuals regarding this policy. We also recommend county management implement monitoring controls to periodically review the activities of these employees to provide additional assurance the established controls are operating as intended and/or to identify any additional training needs.
- the Summit County CSEA maintain copies of all reports and supporting documentation which are submitted to ODHS; and the Summit County Children Services Board restrict access to case files to only those employees whose job descriptions require it and we recommend anyone pulling a case file be required to sign out the record so management can identify which employees have had access to it. We also recommend the Board develop written policies and procedures which incorporate these recommendations.
- the Hancock County Department of Human Services develop policies and procedures for the Adult Protective Services program within the Social Services Block Grant program which reasonably ensure the accuracy of the determination of eligibility. These procedures should include completion of an Adult Abuse, Neglect, and Exploitation Report, which includes a section for documenting referral source, for all cases referred.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

47. MISSING DOCUMENTATION - VARIOUS COUNTIES (Continued)

- the Union and Delaware County Departments of Human Services implement supervisory reviews of all case files to be performed prior to the initial eligibility determination to help ensure all required documentation has been obtained and/or completed. The case files should then be reviewed on a periodic basis, possibly in conjunction with the eligibility redeterminations, to provide reasonable assurance the files remain intact and that eligibility was redetermined properly. The supervisor should document their review by signing the applicable forms or in some other manner, as determined by management.

We also recommend the Ohio Department of Human Services evaluate the current policies and procedures in place regarding records retention for significant documentation which is obtained by county personnel and maintained in the case files and other records at the county level. ODHS management should identify areas where improvement in the Department's guidelines and/or communication/training related to these guidelines could be made. In addition, ODHS management should ensure their monitoring of county operations includes verifying that appropriate case file and report documentation is being maintained by county agencies.

48. SUPERVISORY REVIEW OF CASE FILES - VARIOUS COUNTIES

<i>Finding Number</i>	1999-HUM48-067
<i>CFDA Number and Title</i>	All Programs Administered by the Counties
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

To verify compliance with the unique eligibility requirements of federal programs administered for the Ohio Department of Human Services, it is the responsibility of each county agency to promote an effective monitoring process by developing and implementing standardized review procedures which provide specific direction for the consistent application and documentation of control activities designed to meet federal compliance requirements and/or evaluate each potential recipient's request for public assistance. It is the responsibility of the Ohio Department of Human Services to provide guidance to the counties and to monitor their activities to provide reasonable assurance appropriate policies and procedures are in place and operating effectively.

Five of the ten counties tested for the audit period did not implement supervisory reviews of case files or did not perform these reviews consistently, as noted below:

COUNTY	CFDA #	CONDITION
Hamilton	93.658 & 93.659	Procedures in place during the audit period for the Public Children Services Agency (PCSA) did not require supervisory review and approval of eligibility determinations for approximately 1,350 Foster Care and 1,150 Adoption Assistance recipients. Although quality assurance procedures were devised to compensate for this review, these procedures were not implemented during State Fiscal Year 1999.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

48. SUPERVISORY REVIEW OF CASE FILES - VARIOUS COUNTIES (Continued)

COUNTY	CFDA #	CONDITION
Cuyahoga	93.596/ 93.575	Fourteen of 20 case files selected from the 19,000 of the county contained applications which did not have the supervisor's signature or initials to evidence their review of the information on the client's application and eligibility determinations made by the case managers.
Lucas	93.563	The CSEA does not have formal policies and procedures in place to require all supervisors to uniformly perform case file reviews. Although reviews were performed in the Paternity and Support Department, they were minimal (approximately 8 reviews were indicated in the log) in comparison to the overall caseload of nearly 3,500 cases.
Lorain	93.658 & 93.659	The current procedures in place at the Lorain County Department of Children Services require the Data Analyst to perform eligibility determinations for approximately \$1,600,000 and \$63,000 benefits paid from the Foster Care and Adoption Assistance Programs, respectively, for Lorain County cases. However, these procedures do not require supervisory reviews of the eligibility determinations or case files documentation, nor was there any evidence to indicate any reviews were performed during the audit period.
Summit	93.658	Currently, there are no policies or procedures in place to require periodic reviews of Foster Care Maintenance case files to reasonably ensure all necessary documentation is included within the case file; the correct decision was made regarding the child's eligibility; redeterminations were performed correctly and in a timely manner; and Title IV-E reimbursements received on behalf of the child properly reflect the time period the eligible and reimbursable child was in the care of a licensed foster care home or facility.
Hancock	93.558, 93.667, and 93.775/ 93.777/ 93.778	The current procedures in place in Hancock county do not require a supervisory review be performed for the eligibility determinations made for the various Title XX Social Services Block Grant programs, including the 91 recipients of Adult Protective Services and the 80 recipients of Homemaker Services. In addition, four of 20 applications selected from the approximately 311 Medicaid/TANF(OWF) recipients in Hancock county; and three of 20 applications selected from the 341 TANF(PRC) recipients did not contain any documentation of the review and approval of an Income Maintenance Caseworker, nor were these case files subject to a supervisory review.
Union	10.551/ 10.561, 93.558, and 93.775/ 93.777/ 93.778	Currently, the agency's Income Maintenance Supervisors for the public assistance programs perform supervisory reviews of the nearly 1,400 case files on an as needed basis. However, there is no evidence, through formal or informal documentation, the reviews have been performed by the supervisors.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

48. SUPERVISORY REVIEW OF CASE FILES - VARIOUS COUNTIES (Continued)

If supervisory reviews are not in place and operating as management intended, the risk that funds are distributed to ineligible recipients or for improper amounts is increased. This may result in noncompliance with federal regulations which may affect program funding in subsequent years. In addition, management may not readily identify training needed for those individuals who are not adhering to the established policies and/or federal compliance requirements. Some county management indicated that, because of higher priority duties, there was not adequate time to perform supervisory or Quality Assurance reviews. Other counties indicated they believed their procedures were sufficient because of the frequent discussions held between the supervisors and staff, or were done on an as-needed basis.

We recommend county management implement and/or enforce procedures which require supervisory reviews of all case files to reasonably ensure the case files are accurate, complete, and in compliance with federal regulations. The performance of these reviews could be on a random or cyclical basis and should be documented in the form of the reviewer's signature or initials and date. Quality Assurance procedures could be used to compensate for the lack of supervisory case file reviews if these procedures are performed on a consistent basis. In addition, county management should evaluate the results of these reviews to help identify areas where additional training for case workers or supervisors may be needed. We also recommend the Ohio Department of Human Services establish guidelines for county agencies to follow in establishing supervisory review procedures for case files. ODHS monitoring visits to counties should include assuring these guidelines are being followed and supervisory reviews are performed on a timely and consistent basis.

49. RMS PROCEDURES NOT FOLLOWED - VARIOUS COUNTIES

<i>Finding Number</i>	1999-HUM49-068
<i>CFDA Number and Title</i>	10.551/10.561 - Food Stamp Cluster 93.558 - Temporary Assistance for Needy Families 93.596/93.575 - Child Care Cluster 93.658 - Foster Care 93.659 - Adoption Assistance 93.667 - Social Services Block Grant 93.775/93.777/93.778 - Medical Assistance Cluster
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

The Ohio Department of Human Services utilizes a Random Moment Sampling (RMS) time study to measure county staff activities regarding employees' time spent while administering various federal programs. The results of these reports are then summarized by the counties and submitted to the Ohio Department of Human Services to be used in calculating the indirect cost rates and to substantiate the subsequent distribution of indirect cost amounts which are remitted back to the counties. The Ohio Department of Human Service's Policy and Procedural Manuals requires RMS Coordinators to distribute RMS forms to selected individuals on a quarterly basis who are required to identify the specific program which they are currently working on. In conjunction with this process, the RMS Coordinators are required to personally interview 4% of the selected individuals for Income Maintenance (IM) activities and, in some cases, all Social Service (SS) activities at the moment of observation to provide assurance for the sampling accuracy, form completion, and quality control.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

49. RMS PROCEDURES NOT FOLLOWED - VARIOUS COUNTIES (Continued)

Seven of the ten counties selected for testing during the audit period were not following the prescribed procedures for RMS as detailed below:

Hamilton County

Hamilton County has elected to distribute Social Services Group RMS Observation forms. However, 17 of 18 SSRMS forms tested from approximately 1,650 processed during fiscal year 1999 were not certified by the Social Services coordinator indicating the coordinator had observed the employees' activities. By not observing employees at the moment selected, the County limits its ability to reasonably ensure the information contained within the Social Services RMS forms is accurate and indicative of employee activities. As such, this condition could impact the allocation of indirect costs to the County, thereby affecting the amount credited to each federal program and limiting the County's ability to accomplish individual program objectives due to reduced funding.

Cuyahoga County

Two of the 20 income maintenance RMS forms selected for testing from the 9,200 forms processed by Cuyahoga County during fiscal year 1999 were not initialed by either the employee who completed the form or by their supervisor, if the employee was absent. In addition, three of the 20 forms could not be located, but their names were highlighted on the master list indicating the RMS Coordinator compared the forms to the data entered into the system.

Lucas County

Fourteen of the 20 SSRMS forms selected for testing from the 9,600 forms processed by Lucas County Public Children Service Agency during fiscal year 1999 were not initialed by the observer.

Franklin County

The SSRMS Coordinator indicated she performs a reconciliation of the Children Services RMS quarterly report to the Ohio Department of Human Services RMS quarterly report to assure both reports are complete and accurate, however there was no documentation of this review.

Seven of the 20 IMRMS items selected from the 6,900 required during our audit period were required to be interviewed by the Coordinator or the Alternate Coordinator. However, four of the seven 2710A forms did not contain the Coordinator's or the Alternate Coordinator's signature as evidence of the interview process. Three of the forms were initialed by the selected employee, but not the Alternate Coordinator, and one of the forms was not initialed by either the Alternate Coordinator or the employee.

Hancock County

Three of the 20 individuals selected for testing from the 1,416 IM-RMS forms processed during the audit period were identified for a personal interview, as indicated by an asterisk on the RMS control listing. However, none of the RMS forms for these individuals had been initialed by the RMS coordinator; therefore, there was no evidence to indicate the required interviews were conducted.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

49. RMS PROCEDURES NOT FOLLOWED - VARIOUS COUNTIES (Continued)

Delaware County

Of the twenty RMS forms tested for the Income Maintenance section, four required a supervisor to observe the activity as indicated by an asterisk on the form and to initial the form to indicate the observance. However, in all four instances, the RMS form did not contain the supervisor's initials. In addition, the fiscal supervisor did not reconcile the daily RMS observation forms completed and forwarded to her by the selected employees to those forms originally disbursed to the employees until the end of each quarter. This practice affects approximately 950 RMS forms completed by the agency during the audit period for both the Income Maintenance and Social Services programs.

Union County

During fiscal year 1999, the Union County Department of Human Services processed approximately 3,000 IM RMS forms and 1,500 SS RMS forms. However, the administrative secretary, who serves as the RMS Coordinator, does not reconcile the collected RMS observation forms to forms disbursed to employees on a timely basis. In addition:

- Seven of seven RMS forms for the Income Maintenance section did not have supervisory approval when required by the Ohio Department of Human Services, specifically for supervisory observations;
- Two of 20 RMS forms for the Income Maintenance section did not contain the initials of the person participating in the random moment sample;
- Twenty of 20 Social Services RMS forms showed no evidence the administrative secretary performed the required observation of agency employees at the moment selected.

By not obtaining employee certifications or performing personal interviews, the counties limit their ability to reasonably ensure the information contained within the RMS forms is accurate and indicative of employee activities. As such, this condition could impact the allocation of indirect costs to the counties, thereby affecting the amount credited to each federal program and potentially limiting the counties' ability to accomplish individual program objectives due to reduced funding. Without the observers documenting the observation made, via initials on the observation form, the Ohio Department of Human Services may not be assured the documented observation is proper and accurate. This could impact the allocation of indirect costs, thereby affecting the amount credited to each federal program and limiting the County Public Service Agencies' ability to accomplish individual program objective due to reduced funding.

Although the RMS requirements were included within the Policy and Procedural manual, RMS Coordinators for four of the counties indicated they did not realize the interviews were required and, therefore, did not implement control activities. One indicated that the policy and procedure changes by the county had not been fully implemented; and two indicated the lack of certifications/signatures on the RMS forms was an oversight.

We recommend county management review the requirements outlined within the Ohio Department of Human Services' Policy and Procedural Manual and develop policies which promote the accomplishment of these procedural requirements. These policies and procedures should include monitoring controls by senior management to provide assurance the control procedures are functioning as intended. In addition, regular training should be provided to all RMS Coordinators regarding the ODHS requirements, the policies and procedures the county has implemented to meet these requirements, and to keep them informed of any changes made. This training may be provided by ODHS, the counties, or a combination of both.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

50. EXPENDITURE APPROVAL - VARIOUS COUNTIES

<i>Finding Number</i>	1999-HUM50-069
<i>CFDA Number and Title</i>	All Programs Administered by the Counties
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITION

When administering federal grant awards, it is the county agencies' responsibility to provide reasonable assurance that federal funds are expended only for allowable costs and activities as defined by OMB Circular A-87 and the requirements of the specific federal program. One method of assuring costs are allowable is to establish management-level reviews and approvals of requests for purchases and invoices received for payment.

Five of the ten counties tested for the audit period did not consistently apply procedures to approve purchases and/or expenditures, as noted below:

COUNTY	CFDA #	CONDITION
Hamilton	All	Currently, the accounts payable unit receives and processes all invoices related to the expenditures of the HCDHS, including all the federal programs administered for ODHS. As part of the processing procedures, the accounts payable clerk is to verify the invoice or other supporting documentation has been approved by an appropriate person. However, two of twenty vouchers selected for testing from the 15,531 processed during the fiscal year included supporting documentation which showed no evidence of approval from an appropriate level of management. In addition, county personnel indicated invoices submitted by contracted Foster Care placement facilities, consisting of a material portion of Foster Care expenditures, are subject to cursory review, however, no evidence is maintained.
Cuyahoga	93.596/ 93.575	<p>We noted the following weaknesses with the controls established by the CCDHS to administer their 19,000 case files related to \$54,458,232 of benefit payments from the Child Care program for fiscal year 1999:</p> <ul style="list-style-type: none"> • 2 of 20 case files tested did not have the Notice of Placement and Payment in the file. This form documents information about the client, the authorization period, the child's name and social security number, the provider, the schedule of payment days, and the amount the client pays. A copy of the form is given to the client and is used to notify the provider of the number of hours for which the child is eligible to receive benefits. • 1 of 20 Certificate of Authorization of Payment (COAP) forms submitted by the providers to receive payment for the day care services provided did not have the parent/guardian signature to evidence the billing information was correct. • 3 of 20 voucher batch sheets were not initialed and dated by the Contract Payment Unit Account Clerk as evidence of her approval.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

50. EXPENDITURE APPROVAL - VARIOUS COUNTIES (Continued)

COUNTY	CFDA #	CONDITION
Lucas	93.658	The procedures established in Lucas County to process Foster Care vouchers (payments for clothing, etc. for foster children and Board expenses) require an accounting clerk in the Fiscal Department to review the voucher packet to verify the accuracy and completeness of the invoice and voucher (i.e., authorized rates, amounts, budget centers, and proper signatures) and to initial the packet as evidence of the review. One of the 20 voucher packets selected for testing from the nearly 2,000 processed for the Foster Care program during fiscal year 1999 related to clothing purchase did not contain the initials of the accounting clerk. By not signing the voucher packet, there is no indication the account clerk reviewed the payment and entry of the expenditure.
Summit	93.563	The current procedures in place at the SCCSEA require purchase orders or requests to be obtained/approved in advance, and fiscal supervisors to review and sign all invoices before processing payments. However, of the 20 expenditures tested from approximately 1,040 transactions occurring during FY 99, six related purchase orders/requests were not obtained/approved, and four related invoices did not contain evidence that a fiscal review was performed.

Without a consistently applied procedure to approve individual requests and purchase orders, county management concedes control over the agency's budget to one employee and allows for the increased possibility of the misappropriation of federal funds. In addition, without the use of supply requisitions, no assurance is provided that all supplies and services ordered were approved, appropriate, and necessary to the operation of the county and the administration of the applicable federal program or programs charged. Without evidence of the review or approval of program expenditures, agency management cannot be assured the expenditures were for allowable costs and the risk of an unapproved invoice being processed for payment is increased. These conditions increase the risk of the county agencies claiming Federal costs which may not be reimbursable by the Federal Government.

Hamilton County accounting personnel indicated that, in some circumstances, invoices supported by a valid County Purchase Order do not require an approval be obtained, and some invoices are approved by the County Auditor's Office. In addition, the Facility contracting section stated invoices received from Foster Care placement facilities are quite voluminous and staffing limitations, as well as payment time constraints, limit their review. However, he did note the agency is in the process of performing an electronic review of Foster Care facility invoices by interfacing them with the County's mainframe. Cuyahoga county indicated the instances occurred because the staff did not fully follow the established procedures. According to Lucas PCSA management, it is policy for the account clerk to initial the invoices after they have been reviewed and in this instance it was overlooked. The Director of Budget and Management for the Summit County CSEA stated he did not have time to add up each invoice before it is paid.

We recommend county management implement and/or strengthen control policies and procedures which require employees to complete requisitions for items or services being purchased and the requisition be approved by their immediate supervisor to reasonably ensure the purchases are in compliance with OMB Circular A-87 before being submitted to fiscal where the purchase order is prepared and approved. We also recommend county agency controls be strengthened to ensure all invoices and other expenditure documentation are reviewed and approved by the appropriate level of management prior payment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

50. EXPENDITURE APPROVAL - VARIOUS COUNTIES (Continued)

Evidence of this review and approval should be documented by the reviewer's signature or initials and the date on the purchase request and invoice. In addition, if approvals are received over the phone, we recommend the name and date of the individual giving the approval, as well as the signature or initials of the employee documenting the approval, be included on the purchase request or invoice.

51. REQUEST FOR SS REIMBURSEMENT/IV-E WAIVER - HAMILTON COUNTY

<i>Finding Number</i>	1999-HUM51-070
<i>CFDA Number and Title</i>	93.658 - Foster Care 93.667 - Social Service Block Grant
<i>Federal Agency</i>	Department of Health and Human Services

INTERNAL CONTROL - REPORTABLE CONDITIONS

Section 2005 of the Social Security Act, limits the use to Title XX Social Services Block Grant (SSBG) funds. This regulation states that "grants made under this title may not be used by the State, ...for the provision of cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of a social service, or temporary emergency shelter provided as a protective service)." It is county management's responsibility to implement internal control procedures ensuring the allowability of expenditures used to claim federal reimbursement from the SSBG and other federal programs administered on behalf of the Ohio Department of Human Services.

On 8-27-97, Hamilton County Department of Human Services (HCDHS) signed the Title IV-E waiver with ODHS, to be effective 10-1-97, giving them a fixed dollar amount of Title IV-E foster care maintenance monies each year based on a predetermined formula. The waiver allotments were paid to HCDHS in monthly advances which eliminated the requirement for HCDHS to report individual Title IV-E expenditures to ODHS to receive reimbursement. The IV-E waiver dollars received by the County were deposited into the County Children Services Levy Fund to be used for Children Services. Although ODHS revenue codes were used to track IV-E Waiver funds received, the majority of IV-E waiver expenditures were not accounted for separately. The County Children Services Levy Fund, which includes the IV-E waiver dollars and twelve other revenue sources, is used to pay many of the costs associated with the Children Services Agency.

During State Fiscal Year 1998, Hamilton County contracted with various placement agencies to place foster children in a variety of different residential treatment facilities and group homes. These placement agencies paid for each child's foster care and subsequently received reimbursement from the county for their services. HCDHS coded these Foster Care placement expenditures, paid for out of the County Levy Fund, to Title XX (Social Services Block Grant) on the ODHS 2820 Report, as allowed under sections 6474 and 6210 of the ODHS Administrative Procedures Manual. However, because Title XX reimbursements could not be claimed from the ODHS 2820 Report (Children Services programs), HCDHS made an adjusting entry in September of 1998, to transfer \$14,150,090 in FFY98 Foster Care placement costs to the ODHS 2827 to claim reimbursement from the Social Services Block Grant (SSBG) program. However, HCDHS did not evaluate the expenses related to this adjustment to determine if the types of services performed by each provider and/or provided to each foster child placed by each placement facility were in compliance with the

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

51. REQUEST FOR SS REIMBURSEMENT/IV-E WAIVER (Continued)

limitations established for the SSBG program or if these charges would have been covered by the IV-E waiver. These costs were not questioned because the payment to the county from ODHS had not been made as of June 30, 1999; therefore, no payment of Title XX federal funds related to this adjustment occurred during the audit period.

Without adequately tracking and reviewing foster care maintenance expenditures, the risk that inaccurate and/or inappropriate amounts are submitted for reimbursement of federal funding through Title XX or that some costs may be requested for reimbursement which have already been covered by the IV-E Waiver is greatly increased. This condition could result in future questioned costs and possible sanctions which would, reduce the amount of program funding available and limit managements ability to achieve individual program objectives.

Through various discussions with the Fiscal Section Chief, it is evident the County was unaware of the various limitations on maintenance expenditures allowable for reimbursement through the Title XX Social Services Block Grant.

We recommend HCDHS thoroughly review and evaluate the program requirements and limitations of the SSBG, and work with ODHS to obtain clarification regarding the requirements and limitations regarding Foster Care expenditures to be covered under the IV-E waiver. This may require obtaining written guidance from the federal grantor agency. If it is determined that certain costs associated with Foster Care placement agencies can be appropriately transferred to the SSBG, we recommend HCDHS thoroughly evaluate the charges to verify they meet the requirements established in Section 2005 of the Social Security Act and other applicable guidelines. Evidence of this evaluation should be documented by placement facility, by provider, and if necessary, by foster child. We also recommend HCDHS implement control policies and procedures which would allow expenditures paid from the County Levy Fund which relate to the Foster Care IV-E waiver to be separately accounted for to help ensure all costs associated with the Foster Care program can be identified and reported to the federal government, as necessary.

52. DATA PROCESSING - APPLICATION DOCUMENTATION

<i>Finding Number</i>	1999-HUM52-071
<i>CFDA Number and Title</i>	All programs administered by the Department
<i>Federal Agency</i>	Various

INTERNAL CONTROL - REPORTABLE CONDITION

Sound internal control procedures require implemented systems and their operational features be documented to facilitate systems maintenance, systems modifications, or systems recoveries. Documentation of the procedures and decision rules for each computer application should be clear and meaningful to a knowledgeable user of the system.

Systems documentation for the Medicaid Management Information System (MMIS) and the Client Registry Information System-Enhanced (CRIS-E) did not accurately reflect the actual systems processing currently in operation. In addition, no procedures were in place to ensure systems documentation was reviewed and updated either on a regular basis, or as changes were made. The Department has placed reliance on the

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF HUMAN SERVICES

52. DATA PROCESSING - APPLICATION DOCUMENTATION (Continued)

memories of a few key personnel to maintain the documentation for the application processes performed by these critical systems. The CRIS-E and MMIS applications provide ODHS with the ability to determine eligibility for welfare benefits and provide reimbursement to medical providers for services rendered to eligible recipients for the state of Ohio.

As a result, an information systems professional who is unfamiliar with these systems could not use the current information to obtain an understanding of these critical application processes without extreme difficulty, if at all. This increases the risk of substantial time and financial burdens to the State in the event of turnover in key Management Information Systems positions or systems failures. In addition, management may not be able to identify and monitor key control functions of these systems, increasing the risk of unauthorized and/or unallowed transactions being processed. It appears the Department has placed reliance on a few key personnel to maintain the documentation for the application processes performed by these critical systems.

We recommend the Department update all current systems documentation to reflect the current processes and procedures of its MMIS and CRIS-E computer applications. In addition, a comprehensive evaluation and revision of the current documentation procedures should be conducted. Primary emphasis should be placed on reviewing the type of documentation provided to users and the procedures for preparing such documentation. Standards for documentation should be approved by appropriate management and should be adequate to provide information necessary to efficiently and effectively utilize systems resources. Elements of documentation that should be included are:

- application flowcharts
- record and report layouts
- program source code
- operator and user instructions
- program narratives
- listing/location of automated controls
- test data/results
- user manual

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF TRANSPORTATION

1. MONITORING OF PREVAILING WAGE LAWS

<i>Finding Number</i>	1999-DOT01-072
<i>CFDA Number and Title</i>	20.205 - Highway Planning and Construction
<i>Federal Agency</i>	Department of Transportation

INTERNAL CONTROL

The Davis-Bacon Act requires laborers and mechanics employed on federally assisted construction contracts in excess of \$2,000 to be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 276a to 276a-7).

The Department did not consistently apply established procedures for monitoring, reporting, and following-up on instances of noncompliance with prevailing wage laws at the district offices. Inconsistencies identified included on-site visits, wage interviews and reviews of certified payrolls which are required to provide reasonable assurance that contractors are in adherence with Prevailing Wage requirements.

The risk of compliance violations could increase without the implementation of a consistently applied review and reporting process by each of the districts' prevailing wage coordinators. Significant noncompliance by the Department could result in the imposition of fines or penalties by the grantor agency or a reduction in funding. According to management, a change in coordinator personnel and lack of training at the district offices caused most of the inconsistent application of the procedures.

We recommend the Department implement the standardized policies and procedures to be used by all district coordinators for reviewing contractors' compliance with prevailing wage laws and reporting violations. Also, we recommend the Department develop a training program to ensure district coordinators understand and implement the procedures.

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**SUPPLEMENTAL
INFORMATION**

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Education	1998-EDU01-003 Expenditure to Incorrect Fund	Yes	
	1997-EDU01-003 1998-EDU02-004 Subrecipient Monitoring	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-EDU05-009.
	1998-EDU03-005 On-Site Reviews – Nutrition Cluster	Yes	
	1998-EDU04-006 On-site Monitoring of Subrecipients	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-EDU06-010.
	1998-EDU05-007 Late Reporting	No	The finding is no longer a reportable condition under the provisions of OMB Circular A-133; however, the finding was included in the Management Letter for the Ohio Department of Education.
	1998-EDU06-008 On-site Review – Vocational Education	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-EDU05-009.
	1998-EDU07-009 Data Processing – Year 2000	Yes**	
	1997-EDU03-005 1998-EDU08-010 Data Processing — Applications Development Documentation	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-EDU09-013.

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Bureau of Employment Services	1998-BES01-011 Cash Management	No	The finding has been re-peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-BES01-014.
	1997-BES01-006 1998-BES02-012 Property Management	No	The finding has been re-peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-BES03-016.
	1998-BES03-013 Certification of Delinquent Employer Accounts	Yes	
	1998-BES04-014 Support Documentation for Adjusting Entries	Yes	
	1998-BES05-015 Data Processing — Systems Security	Yes	
	1998-BES06-016 Data Processing — Security Violation Reporting	Yes	
Ohio Department of Health	1997-DOH01-012 1998-DOH01-017 Subrecipient Monitoring	No	The finding has been re-peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-DOH01-019.
Ohio Department of Human Services	1998-HUM01-018 Foster Care — Unallowed Maintenance	No	The finding has been re-peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM01-020.

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Human Services (Continued)	1998-HUM02-019 Indirect Charges for Food Stamps	Yes	
	1998-HUM03-020 Child Care Redetermination Amounts – Lucas	Yes	
	1997HUM06-019 1998-HUM04-021 IEVS — Due Dates	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM12-031.
	1997-HUM07-020 1998-HUM05-022 IEVS — Inadequate Documentation	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM13-032.
	1997-HUM11-024 1998-HUM06-023 IVES- Monitoring by ODHS	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM14-033.
	1998-HUM07-024 TANF – Sanctions	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM15-034.
	1997-HUM08-021 1998-HUM08-025 Late Filing of Federal Financial Reports	No	The finding is no longer a reportable condition under the provisions of OMB Circular A-133; however, the finding was included in the Management Letter for the Ohio Department of Education.
	1998-HUM09-026 Unallocated Equipment	Yes	

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Human Services (Continued)	1997-HUM12-025 1998-HUM10-027 IVES — Monitoring by Counties	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM22-041.
	1997-HUM13-026 1998-HUM11-028 IVES — Training	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM23-042.
	1997-HUM09-022 1998-HUM12-029 Data Processing — Accuracy of CRIS-E Input	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM24-043.
	1997-HUM10-023 1998-HUM13-030 Data Processing — Manual Overrides of CRIS-E (Fiats)	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM25-044.
	1998-HUM14-031 TANF — Monitoring	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM26-045.
	1997-HUM14-027 1998-HUM15-032 Voucher Summary Processing	No	The finding has been re- peated in the FY 1999 Single Audit. The Ohio Department of Human Services does not agree with the finding, therefore no corrective action plan was developed. See 1999- HUM34-053.

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Human Services (Continued)	1998-HUM16-033 Control Weaknesses – Revenues & Expenditures	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM35-054.
	1998-HUM017-034 Indirect Cost Allocations	Yes	
	1998-HUM18-035 Subrecipient/ Vendor Determinations	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM18-037.
	1998-HUM19-036 Medicaid – MEQC Eligibility Reviews	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM37-056.
	1997-HUM18-031 1998-HUM20-037 Medicaid – Verification of Third- Party Liabilities	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM38-057.
	1997-HUM20-033 1998-HUM21-038 Medicaid – Late Drug Rebate Payments	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM03-022.
	1998-HUM22-039 Medicaid – Pharmacy Service Write-offs	Yes	
	1998-HUM23-040 Hospital Audits – Late Cost Reports	No	The finding is no longer a reportable condition under the provisions of OMB Circular A-133.

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Human Services (Continued)	1998-HUM24-041 Medicaid – Hospital Audits	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM39-058.
	1998-HUM25-042 Medicaid – Managed Care Provider Verification	Yes	
	1998-HUM26-043 Review of Food Stamp Reports	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM20-039.
	1998-HUM27-044 Food Stamp Management Evaluation Reviews	Yes	
	1998-HUM28-045 Food Stamp SAS 70 Report	No	The finding has been re- peated in the FY 1999 Single Audit. The Department has not developed a corrective action plan due to the reasons cited in 1999- HUM27-046.
	1998-HUM29-046 Child Care Development Fund – Monitoring Procedures	Yes	
	1998-HUM30-047 Late County Reports – Various Counties	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM46-065.

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Human Services (Continued)	1997-HUM24-037 1997-HUM25-038 1997-HUM28-041 1998-HUM31-048 Missing Documentation – Various Counties	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM47-066.
	1997-HUM24-037 1997-HUM25-038 1998-HUM32-049 Supervisory Review/ Case Files — Various Counties	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM48-067.
	1997-HUM23-036 1997-HUM26-039 1998-HUM33-050 Random Moment Sampling Procedures not followed – Various Counties	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM49-068.
	1998-HUM34-051 Expenditure Approval – Various Counties	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM50-069.
	1998-HUM35-052 Unreconciled Child Support Account – Hamilton	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM31-050.
	1998-HUM36-053 Understated Food Stamp Inventory - Montgomery	Yes	
	1998-HUM37-054 Foster Care Attendance Sheets -Montgomery	Yes	

STATE OF OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Human Services (Continued)	1997-HUM31-044 1998-HUM38-055 Data Processing – Application Documentation	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM52-071.
	1998-HUM39-056 Data Processing – Year 2000 Issues	Yes**	
	1998-HUM40-002 GAAP Package Schedules	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-HUM53-001.
Ohio Department of Rehabilitation and Correction	1998-DRC01-001 Year 2000 Compliance	Yes**	
Ohio Rehabilitation Services Commission	1998-RSC01-057 Federal Reporting Procedures	Yes	
Ohio Department of Transportation	1997-DOT03-047 1998-DOT01-058 Monitoring of Prevailing Wage Laws	No	The finding has been re- peated in the FY 1999 Single Audit, and a corrective action plan has been developed. See 1999-DOT01-072.
	1998-DOT02-059 Data Processing – Year 2000 Issues	Yes**	
Ohio Department of Administrative Services	1997-VAR01-051 1998-VAR02-061 State Payroll – Program Modification Procedures	No	The finding is no longer a reportable condition under the provisions of OMB Circular A-133.

STATE OF OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
 JULY 1, 1998 THROUGH JUNE 30, 1999

AGENCY	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED/ EXPLANATION
Ohio Department of Administrative Services (Continued)	1997-VAR02-052 1998-VAR01-060 State Payroll — Year 2000 Issues	Yes**	

***Because of the emphasis placed on, and resources devoted to, addressing the year 2000 issue, the State of Ohio did not experience significant year 2000-related problems.*

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES

1999-HUM53-001 GAAP Package Schedules

Corrective Action Plan

In order to minimize future errors in the GAAP Schedule preparation, the Department will implement the following procedures: 1) Review the methodology used to calculate the Medicaid receivable and establish proper cutoffs; 2) Ensure appropriate supporting documentation (weekly VSU's, June adjustment letters, FFP verification worksheet from Budget, 21-day warrant redemption pattern worksheet) are attached to Schedule B-1; 3) Verify B-1 calculations are consistent with supporting documentation; 4) Verify the final receivable amount; 5) Using the 21-day redemption worksheet, test the receivable; and 6) Conduct review of completed Schedule B-1 by unit supervisor and section chief for completeness and accuracy.

In addition, the Department's Bureau of County Finance and Technical Assistance will work with counties to implement the corrective action plan specified under finding number 1999-HUM46-065. This measure will also help improve GAAP reporting.

Anticipated Completion Date for Corrective Action

July 1, 2000

Contact Person Responsible for Corrective Action

Robin Harris, Chief, Accounts Receivable Section, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-4303

Lou Ann Shy, Chief, Bureau of County Finance and Technical Assistance, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43266-0423, Phone: (614) 752-9194

OHIO DEPARTMENT OF AGING

1999-AGE01-002 Subrecipient Monitoring

Corrective Action Plan

Several years ago, the Department worked to develop a coordinated, comprehensive monitoring process. The Department's program and support units have worked together to annually monitor each Area Agency on Aging (AAA). These units work to share information both internally with other units and externally with AAAs in a collaborative effort. The units also review such items as fiscal records and processes, case management files, and client records to ensure the Department's compliance with various rules and statutes. Technical assistance is provided as appropriate. All findings are tracked for an acceptable response. The coordinated, comprehensive monitoring process has been well received by the AAAs because it has served as a network to ask questions, listen to concerns, and receive feedback to issues raised.

The AAAs are private not-for-profit organizations that are required to have independent OMB Circular A-133 audits each year. The independent audits, which review compliance with federal regulations and accounting principles, are reviewed to gain insight as to potential areas of review in preparation for a monitoring visit. The monitoring process does not duplicate the independent audits.

In an effort to continuously improve our process, the Department requested a meeting with the Auditor of State to review the monitoring process and content. The Department has also established a committee to consider the idea of a general contract. Staff will be monitoring against such a contract should it be implemented and will adjust monitoring content so it is consistent with agreed-upon outcomes of the meeting with the Auditor of State. The Department also does an annual review of monitoring procedures to strengthen the depth of its review.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF AGING (Continued)

1999-AGE01-002 Subrecipient Monitoring (Continued)

Anticipated Completion Date for Corrective Action

July 1, 2000

Contact Person Responsible for Corrective Action

Mary R. Fernald, Fiscal Management Unit Chief, Ohio Department of Aging, 50 West Broad Street, 9th Floor, Columbus, Ohio 43215-3363, Phone: (614) 466-3058

1999-AGE02-003 Subrecipient Cost Allocation Plan

Corrective Action Plan

The Department disagrees with the Auditor of State's recommendation that formal cost allocation plans are necessary. This is because such plans are not as accurate as what the Department currently performs. OMB Circular A-87 and OMB Circular A-122 permit the use of formal cost allocation plans via indirect cost rates; there is no specific requirement of a formal cost allocation plan. The circulars do require supporting documentation for charges to grant programs. The Department currently requires additional documentation and/or time studies. This is more effective because the focus is on actual costs versus cost estimates.

The Department did consider the necessity for cost allocation plans. Such plans were considered in the assessment of our current policies. Although the Department does not require formal cost allocation plans, it does require other permissible methods of cost accounting. For example, the Department currently requires time accounting for the PASSPORT Program, which requires employees to account for time spent on the PASSPORT Program. The recorded time is used to allocate costs to the program. There is no question that time accounting is more accurate than cost allocation plans because such accounting focuses on actual costs versus cost estimates.

The Department shall review its current policies regarding cost accounting and cost allocation to determine if such policies can be strengthened in any way with the goal being to ensure that all charges to grants are reasonable, allowable, and are for the purposes for which the grant was intended.

Anticipated Completion Date for Corrective Action

The Department shall review its current policies by February 28, 2000.

Contact Person Responsible for Corrective Action

Mary R. Fernald, Fiscal Management Unit Chief, Ohio Department of Aging, 50 West Broad Street, 9th Floor, Columbus, Ohio 43215-3363, Phone: (614) 466-3058

1999-AGE03-004 Subrecipient Contractual Agreements

Corrective Action Plan

The Department has developed a committee comprised of its staff and representatives from the Area Agencies on Aging (AAAs). The Department has had several meetings with the AAAs to discuss the idea of a general contract. We have also inquired of several other state departments on aging to get information on agreements used in their states. To date, we have received contracts from the Indiana, Virginia, and Pennsylvania Departments of Aging, and we are currently reviewing them to determine if a similar agreement could be implemented in Ohio.

Anticipated Completion Date for Corrective Action

The Department anticipates research and possible implementation to be completed by July 1, 2000, if this recommendation is adopted.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF AGING (Continued)

1999-AGE03-004 Subrecipient Contractual Agreements (Continued)

Contact Person Responsible for Corrective Action

Mary R. Fernald, Fiscal Management Unit Chief, Ohio Department of Aging, 50 West Broad Street, 9th Floor, Columbus, Ohio 43215-3363, Phone: (614) 466-3058

OHIO DEPARTMENT OF EDUCATION

1999-EDU01-005 Incorrect Expenditure Coding

Corrective Action Plan

The Department is working with the Ohio Office of Budget and Management to make the necessary correcting entry in the Central Accounting System. The entry will adjust the financial records to accurately reflect the disbursement from the Substance Abuse and Preventative Maintenance Block Grant rather than from the Safe and Drug Free School Program.

Anticipated Completion Date for Corrective Action

February 11, 2000

Contact Person Responsible for Corrective Action

Kathleen Vaughan, Comptroller, Ohio Department of Education, 65 South Front Street, Room 701, Columbus, Ohio 43215-4183, Phone: (614) 466-8644

1999-EDU02-006 Incorrect Federal Draw

Corrective Action Plan

The Department made the adjusting entries in the U.S. Department of Education's grants system to correct amounts reflected for the Even Start and Family Literacy Initiative Grants.

Anticipated Completion Date for Corrective Action

February 3, 2000

Contact Person Responsible for Corrective Action

Kathleen Vaughan, Comptroller, Ohio Department of Education, 65 South Front Street, Room 701, Columbus, Ohio 43215-4183, Phone: (614) 466-8644

1999-EDU03-007 Grant Administration Payment System Reports

Corrective Action Plan

As referenced in the Schedule of Findings and Questioned Costs, the U. S. Department of Education implemented a new payment system (GAPS) that had many flaws during the first several months of operation. Revenue was regularly charged against the wrong grants by the federal Department of Education during this period. The Ohio Department of Education repeatedly submitted correcting entries to the U. S. Department of Education to correct the federal records, but to no avail. The Department's position is that all the state records balanced (cash draw requests, deposits in CAS, expenditures) at the end of the fiscal year and that the problem exists on the books of the federal Department of Education. In fact, the Education Office of the Inspector General in the September 1998 semi-annual report to Congress stated that the books of the U. S. Department of Education were unauditible.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF EDUCATION (Continued)

1999-EDU03-007 Grant Administration Payment System Reports (Continued)

Corrective Action Plan (Continued)

The Department will take the following actions to again attempt to correct the federal records and to verify information in the future:

- The Department will enter into discussions with the U. S. Department of Education to correct the federal records. Documents from the extensive reconciliation efforts will be provided to the federal government.
- A checks and balances system will be used to reconcile state records with federal records on a weekly basis and records will be kept centrally.
- Management will authorize all reconciliations and adjustments, and supporting documentation will be kept on file.

Anticipated Completion Date for Corrective Action

February 29, 2000

Contact Person Responsible for Corrective Action

Kathleen Vaughan, Comptroller, Ohio Department of Education, 65 South Front Street, Room 701, Columbus, Ohio 43215-4183, Phone: (614) 466-8644

1999-EDU04-008 Expenditure Made After Period of Availability

Corrective Action Plan

The Department will contact the appropriate program office of the U.S. Department of Education to obtain permission for the 1996 project payment.

The Department will monitor the funds more closely in order to liquidate the funds prior to the end of the 90-day requirement. The Department has monitored closely the next round of projects. All the 1997 projects have been liquidated.

Anticipated Completion Date for Corrective Action

June 30, 2000

Contact Person Responsible for Corrective Action

Dr. Phil Allen, Grants Manager, Ohio Department of Education, 933 High Street, Suite 250, Worthington, Ohio 43085, Phone: (614) 752-1483

1999-EDU05-009 Subrecipient Monitoring

Corrective Action Plan

The Department, as required by OMB Circular A-133, must monitor the audits of its subrecipients in a timely manner. While there was much progress made in this area, continuous improvement is needed.

The Department, with the assistance of the Auditor of State and the Ohio Department of Education's Office of Internal Auditing, has revised the procedures so that audits will be reviewed in a timelier manner.

The Department will also require program divisions to track corrective action plans to document resolutions of audit findings.

The Department will review its procedures in issuing Internal Retrieval Numbers to subrecipients.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF EDUCATION (Continued)

1999-EDU05-009 Subrecipient Monitoring (Continued)

Anticipated Completion Date for Corrective Action

June 30, 2000

Contact Person Responsible for Corrective Action

Dr. Phil Allen, Grants Manager, Ohio Department of Education, 933 High Street, Suite 250, Worthington, Ohio 43085, Phone: (614) 752-1483

1999-EDU06-010 On-Site Reviews

Corrective Action Plan

The Department is in the process of hiring two additional staff members in order to fulfill the on-site monitoring responsibilities of the Child and Adult Care Food Program reviews.

Anticipated Completion Date for Corrective Action

April 28, 2000

Contact Person Responsible for Corrective Action

Lorita T. Myles, Director, Ohio Department of Education, 65 South Front Street, Room 713, Columbus, Ohio 43215-4183, Phone: (614) 466-2945

1999-EDU07-011 State Agency Review Criteria

Corrective Action Plan

The Department had an informal process to select schools for the initial review. We are in the process of formally documenting the procedures in a policy statement.

Anticipated Completion Date for Corrective Action

March 31, 2000

Contact Person Responsible for Corrective Action

Lorita T. Myles, Director, Ohio Department of Education, 65 South Front Street, Room 713, Columbus, Ohio 43215-4183, Phone: (614) 466-2945

1999-EDU08-012 Suspension and Debarment

Corrective Action Plan

The Department was never notified by the U.S. Department of Agriculture that we were to review the Suspension and Debarment form for school districts and child care agencies. We had, in the past as required, presented the information to schools and agencies with regard to the procurement of contracts and products. We will, in the future, include this information either in a mailing or in the application process.

In addition, the Department's Fiscal Officer will obtain specific certification language from the Auditor of State's office, and the Liaison Office will forward to the fiscal year 2000 grantees for certifications.

Anticipated Completion Date for Corrective Action

September 2000

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF EDUCATION (Continued)

1999-EDU08-012 Suspension and Debarment (Continued)

Contact Person Responsible for Corrective Action

Lorita T. Myles, Director, Ohio Department of Education, 65 South Front Street, Room 713, Columbus, Ohio 43215-4183, Phone: (614) 466-2945

Margaret Callaghan, Fiscal Officer, Ohio Department of Education, 65 South Front Street, Room 905, Columbus, Ohio 43215-4183, Phone: (614) 466-6950

1999-EDU09-013 Data Processing – Application Development and Maintenance

Corrective Action Plan

The Department recently contracted with Keane, Inc. to assist with the establishment of a project management office (PMO) within the Information Management Services (IMS) Office. The PMO has the responsibility for implementing a project management methodology for IMS and for establishing project plans, including an overall statement of work for each project, task-level plans, and a budget, for all work performed by IMS on behalf of the agency. Five project manager positions were created within the PMO to facilitate this work. Project managers are currently engaged in developing project plans, statements of work, and budgets for IMS projects. These plans include resource allocations and cost estimates. The plans will be used to track project work at a task level and will allow the PMO to monitor project budgets, deliverables, and milestones to ensure that projects meet customer requirements.

Anticipated Completion Date for Corrective Action

June 30, 2000

Contact Person Responsible for Corrective Action

Jim Daubenmire, Assistant Director, Office of Information Management Services, Ohio Department of Education, 1320 Arthur E. Adams Drive, Columbus, Ohio 43221, Phone: (614) 466-0057

OHIO BUREAU OF EMPLOYMENT SERVICES

1999-BES01-014 Cash Management

Corrective Action Plan

The Bureau has implemented a change in its methodology for determining daily cash needs. Daily cash draws are based on the new methodology. Testing of the new method for the months of February 1999 through June 1999 show greatly reduced cash balances. The Bureau believes that this new methodology corrects the problem.

Anticipated Completion Date for Corrective Action

The Bureau has implemented its corrective action plan.

Contact Person Responsible for Corrective Action

Patrick J. Power, Director, Budget and Finance Division, Ohio Bureau of Employment Services, 145 South Front Street Columbus, Ohio 43215, Phone: (614) 466-4873

1999-BES02-015 Subrecipient Monitoring

Corrective Action Plan

The Bureau has instituted procedures and controls, and has assigned and trained audit monitoring staff to avoid these issues in the future. Finally, the Bureau has instituted a procedure to review the work of the staff charged with maintaining the log.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO BUREAU OF EMPLOYMENT SERVICES (Continued)

1999-BES02-015 Subrecipient Monitoring (Continued)

Anticipated Completion Date for Corrective Action

The Bureau has implemented its corrective action plan.

Contact Person Responsible for Corrective Action

Evelyn Bissonette, Director, PowerOhio Division, Ohio Bureau of Employment Services, 145 South Front Street Columbus, Ohio 43215, Phone: (614) 466-3817

1999-BES03-016 Property Management

Corrective Action Plan

The corrective action for the finding in this area began in 1997 when the Bureau began the process of procuring a new fixed asset system. Part of this process was the implementation of new workflows that facilitated the flow of information for the timely recording of fixed assets to the system as well as more accurate and timely completion of the annual fixed asset inventory. The newly designed processes and procedures have resulted in improvements in the time that it takes to turn around the physical inventory certification from 224 days in 1997 to just under 30 days in 1999. All exceptions noted by the auditor have been corrected. In addition, the Bureau will request the U.S. Department of Labor's opinion on the need to research the level of grant participation information for assets purchased prior to recording the asset into the system.

Anticipated Completion Date for Corrective Action

The letter to the U.S. Department of Labor will be issued by January 31, 2000.

Contact Person Responsible for Corrective Action

Rosby E. Lee, Director, Business Management and Administration Division, Ohio Bureau of Employment Services, 145 South Front Street Columbus, Ohio 43215, Phone: (614) 466-0800

1999-BES04-017 Untimely Report Submission

Corrective Action Plan

The Bureau believes no corrective action is required for this finding. The Bureau staff is aware of the requirements and will comply. In the instances noted by the auditor, the Bureau experienced connectivity problems and some Y2K issues in producing the report. The electronic problems have been corrected. In two of the four cases, the Bureau notified the U.S. Department of Labor and was granted extensions of the deadline. The communication between the Bureau and the U.S. Department of Labor will continue so that the federal department is aware of any problems experienced.

Anticipated Completion Date for Corrective Action

Not Applicable

Contact Person Responsible for Corrective Action

Joe Duda, Director, Unemployment Compensation Benefits Division, Ohio Bureau of Employment Services, 145 South Front Street Columbus, Ohio 43215, Phone: (614) 466-9755

1999-BES05-018 Use of Transmittal Letter

Corrective Action Plan

The Bureau agrees to comply with the IRS requirement for all submissions by ensuring that the required transmittal letter is a part of all future packets to the Internal Revenue Service.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO BUREAU OF EMPLOYMENT SERVICES (Continued)

1999-BES05-018 Use of Transmittal Letter (Continued)

Anticipated Completion Date for Corrective Action

The Bureau has implemented its corrective action plan.

Contact Person Responsible for Corrective Action

Mary Carroll, Director, Information Technology Division, Ohio Bureau of Employment Services, 145 South Front Street Columbus, Ohio 43215, Phone: (614) 466-2237

OHIO DEPARTMENT OF HEALTH

1999-DOH01-019 Subrecipient Monitoring

Corrective Action Plan

During fiscal year 1999, the Department made every effort to ensure that subrecipients who meet the OMB Circular A-133 audit requirements submitted their audit reports to the Department for review and follow-up in a timely manner. The Department's *Grants Administration and Procedure Manual*, in effect since October 1996 and later revised in April 1998, outlines federal audit provisions for subrecipients in Section 515. Audits. The Department provides the manual to subrecipients and department staff. Furthermore, when a subrecipient receives a Notice of Award from the Department, the subrecipient must agree to abide by the policies and procedures outlined in the manual.

Specifically, the Department took the following actions during fiscal year 1999 to ensure timely review and follow-up.

- During regional training sessions, which took place during fiscal year 1999, the Department provided OMB Circular A-133 reporting requirements to subrecipients in attendance.
- The Department created a report, which monitors receipt of audit reports from subrecipients who meet OMB Circular A-133 requirements. The report categorizes by fiscal year subrecipients who receive federal funds in the amounts of \$300,000 or more, \$100,000 to \$299,999, and less than \$100,000.
- The Department used the *Subgrantee Audit Report Desk Review Form*, which documents the audit period, audit report date, and date received, to review the subrecipient audit reports. By June 1999, the Department was current on its reviews of audit reports received.
- The Department created the *Subgrantee Audit Report Executive Decision Summary Form* for the Department's management review and approval for follow-up action. By June 1999, the Department was current on its executive summaries for audit reports received.
- The Department mailed reminder letters to subrecipients who were outstanding on their submission of audit reports.

Planned corrective actions to ensure that subrecipient monitoring will be in compliance with the Single Audit Act in state fiscal year 2000 are discussed below.

The Department will begin to take the following action to establish, improve, and ensure the controls over subrecipient monitoring are sufficient to comply with the federal requirements and resolve any subrecipient audit findings in a timely manner. The Department will consider withholding future awards to subrecipients who are not in compliance with the federal audit provisions.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HEALTH (Continued)

1999-DOH01-019 Subrecipient Monitoring (Continued)

Corrective Action Plan (Continued)

Actions the Department will undertake include

- Revising the Department's *Subgrantee Audit Report Desk Review and Executive Summary* to specifically identify if the subrecipient audit report was received in a timely manner in conformity with OMB A-133 provisions;
- Conducting follow-ups on the subgrantee audit report executive decision summary findings either through a form letter from or an on-site visit by staff of the Department's Grants Administration Unit;
- Continuing to mail reminder letters to subrecipients who have outstanding audit reports;
- Providing periodic reports of subrecipients who are not in compliance with the OMB Circular A-133 reporting provisions to the Department's management and the Subgrantee Compliance Committee for further action; and
- Providing additional training to departmental staff concerning the reporting requirements of OMB Circular A-133.

Anticipated Completion Date for Corrective Action

September 2000

Contact Person Responsible for Corrective Action

Philip R. Eyman, Chief, Audit Unit, Ohio Department of Health, 35 Chestnut, 7th Floor, Columbus, Ohio 43215, Phone: (614) 644-7618

OHIO DEPARTMENT OF HUMAN SERVICES

1999-HUM01-020 Foster Care - Unallowed Maintenance Charges

Corrective Action Plan

The Attorney General's Office has filed an appeal on the Department's behalf. The Department continues to negotiate a resolution as to the calculation of unallowable costs for the period prior to April 1, 1999. With approval from the Attorney General's Office, the Department will calculate the period July 1, 1998 through March 31, 1999, to make the appropriate adjustment. Family, Children and Adult Services procedure letter 61-A was issued September 29 1999 to correctly classify maintenance costs. Negotiations continue with the U.S. Department of Health and Human Services (HHS) to address any additional adjustments that may be required.

Anticipated Completion Date for Corrective Action

Since the Department is currently negotiating a resolution with HHS through the Attorney General's Office, we cannot accurately provide estimates on the completion date for corrective action.

Contact Person Responsible for Corrective Action

Tanya D. Clark, Executive Assistant, Ohio Department of Human Services, 65 East State Street, 9th Floor, Columbus, Ohio 43215, Phone: (614) 752-6190

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

1999-HUM02-021 Foster Care - Incomplete Monitoring

Corrective Action Plan

The Department concurs with the auditor's finding as to the importance of adequate monitoring of Title IV-E providers. Audits of Title IV-E provider cost reports have been performed for a number of years, including fiscal year 1999. The audit finding incorrectly states that 12 audits of Ohio Department of Human Services (ODHS) 2910 forms begun by the Bureau of Audit were not completed. The Bureau of Audits was asked to perform audits of 27 ODHS 2910 cost reports submitted during FY 1998 that reported 1997 financial information. After 12 audits, the Department and the Auditor of State's Office collaborated on joint audits of the 25 largest Title IV-E providers in the state. The remaining 15 audits were canceled to avoid duplication of effort.

The Department is cognizant of the need to improve the quality of the audits of Title IV-E foster care facilities. The audit team currently working with the Auditor of State's Office on the joint audit for the Child Welfare Reform activity will be assigned to perform additional Title IV-E provider audits after the completion of the joint audit activity. The scope of such audits will appropriately address the Department's monitoring obligations under the provisions of OMB Circular A-133.

Anticipated Completion Date for Corrective Action

The commencement of the Title IV-E provider audits is dependent upon the completion of the joint audits conducted by the Department and the Auditor of State's Office. Although they were scheduled for completion by November 1, 1999, the completion date has been extended until June 30, 2000.

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215 Phone: (614) 644-5739

1999-HUM03-022 Medicaid - Drug Rebate Payments

Corrective Action Plan

The Department has expanded its spreadsheet capabilities to capture more information relevant to the determination of when interest is due. However, it remains, by federal statute, the responsibility of the labeler to both calculate and pay the interest without intervention from the Department. The Health Care Financing Administration (HCFA) has yet to promulgate regulations governing the implementation of the rebate program, which began in 1990; thus no further clarification is available. The calculation of interest is a complex formula that is a moving target. In response to the audit finding, the Department will notify labelers that an interest payment is expected for late payments received on and after March 1, 2000. This will occur when a payment is received beyond the expected payment date.

The following is a point-by-point response to the auditor's recommendations.

- For four of the quarters, HCFA did not get the rebate information to us within their required time frame, thus delaying our ability to create and mail invoices to the rebating labelers within 60 days from the end of the quarter. Of the 60 days, HCFA has 45 days to get information to the Department, and the Department has 15 days to process that information and generate invoices. This is always a very tight time frame, even if HCFA can get the information to us. In addition, the last three quarters were complicated by Year 2000 (Y2K) activities, which somewhat delayed our process. Invoices for the other quarter were sent out 18 days after the date HCFA sent us the information, which is within the 22 days suggested in the audit report. We do not anticipate any additional departmental delays since the successful Y2K transition, and we can expect to continue to invoice labelers within 22 days of the HCFA release.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM03-022 Medicaid - Drug Rebate Payments (Continued)

Corrective Action Plan (Continued)

- Since the beginning of the program, the department has had a detailed process to archive documentation for the rebate program, and we have in the past always been able to successfully retrieve historical information. In the case noted by the auditor, the boxes of information that were sent to the warehouse were lost along the way. We do not believe that it was because of a lack of process, but we are instituting additional signature protocols to enhance accountability as the materials are transferred from one party to another.

- The Department's process for rebate reconciliation only called for the use of the sheets when the rebate invoice was not paid in full. It was used to document any actions that were taken to complete the dispute resolution. The four instances referenced were cases for which there was no variance from the invoiced amount and the paid amount. There are other spreadsheets that demonstrate that the pharmacy administrator reviewed the submission; however, if the auditor requests that we include a sheet with each invoice, regardless of action taken, we will do so in the future.

Anticipated Completion Date for Corrective Action

The Department will implement the process to notify labelers that an interest payment is expected by March 2000. Corrective action plans for the second and third items discussed above have been implemented.

Contact Person Responsible for Corrective Action

Robyn Colby, Bureau Chief, Health Plan Policy, Ohio Department of Human Services, 30 East Broad Street, 27th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-6420

1999-HUM04-023 Missing Support Documentation - Hamilton County

Corrective Action Plan

In January 1999, the Hamilton County Department of Human Services changed its payment processing procedures when the County Auditor installed a new computer system. However, nine vouchers and supporting documents processed after January 1999 could not be located for review by the Auditor of State. The County Department has discussed the problem with the County Auditor's Office and they have assured us that it was only a temporary problem of not being able to locate documents in a timely manner. The County Auditor's Office filing system has been redesigned and all documents are now filed in a timely and accurate manner.

Anticipated Completion Date for Corrective Action

The County Department has implemented its corrective action plan.

Contact Person Responsible for Corrective Action

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

1999-HUM05-024 Clothing Cost Reimbursements - Lorain County Department of Children Services

Corrective Action Plan

As of July 1999, the Lorain County Department of Children Services no longer includes clothing expenditures as part of the Social Service administrative cost pool.

Anticipated Completion Date for Corrective Action

The County Department has implemented its corrective action plan.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

**1999-HUM05-024 Clothing Cost Reimbursements - Lorain County Department of Children Services
(Continued)**

Contact Person Responsible for Corrective Action

Ann Murray, Director of Fiscal Affairs, Ohio Department of Human Services, 226 Middle Avenue, Room 302, Elyria, Ohio 44035, Phone: (440) 329-5340

1999-HUM06-025 Monitoring Subrecipients - Lorain County Department Of Human Services

Brief Description of Planned Corrective Action

The Lorain County Department of Human Services is currently in the process of completing subrecipient reviews, which began in September 1999 and will continue through April 2000. The County Department will evaluate the agency's established review procedures of the subrecipient's financial activity for the Title XX Program to ensure that the reviews are performed in a timely manner.

Anticipated Completion Date for Corrective Action

July 1, 2000

Contact Person Responsible for Corrective Action

Tom Matotek, Fiscal Administrator, Lorain County Department of Human Services, 42485 North Ridge Road, Elyria, Ohio 44035, Phone: (440) 284-4512

1999-HUM07-026 No Evidence of Social Services Eligibility - Summit County

Corrective Action Plan

The Summit County Department of Human Services operated the fiscal year 1999 Title XX program pursuant to Family, Children and Adult Service Manual Transmittal Letter Number 93, dated June 19, 1998, and particularly to Ohio Administrative Code 5101:2-25-07; Title XX Reimbursement Dependent Upon Correct Determination of Recipient Eligibility; C(4); (D); (E) and (F) within which there is no citation to monitoring nor to OMB Circular A-133.

In an effort to comply with the audit recommendations, the County Department will: 1) immediately initiate monitoring of the current FY2000 Title XX contracts with a clear focus on eligibility determinations made by the providers; 2) adhere to Section 210 of OMB Circular A-133, therein making a determination within provider contracts as to the provider's status as a subrecipient whenever eligibility is determined by the provider; and 3) monitor subrecipients pursuant to OMB Circular A-133.

Anticipated Completion Date for Corrective Action

The County Department will complete a monitoring cycle of all fiscal year 2000 Title XX providers (subrecipients) before the close of the fiscal year on June 30, 2000. The County Department will include citations of OMB Circular A-133 in all of its fiscal year 2001 Title XX contracts, wherein the provider determines eligibility, and which have a projected submission date of March 2000.

Contact Person Responsible for Corrective Action

John R. "Jack" Hogan, Deputy Director, Administrative Services and Finance, Summit County Department of Human Services, 47 North Main Street, Akron, Ohio 44308, Phone: (330) 643-7329

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM08-027 Unallowable Indirect Costs - Summit County

Corrective Action Plan

The creation of Temporary Assistance for Needy Families (TANF) financial codes, for financial reporting on the ODHS 2827 is the Ohio Department of Human Services' responsibility. The Summit County Department of Human Services used the cost pool Income Maintenance Joint (020) for client supplies and provisions. There was no clear financial code that could have better described the expense.

The County Department will: 1) intensify its review of expenditures to assure proper coding; 2) work with ODHS to determine codes that better describe the purpose of expenditures; and 3) continue to request clarification or other coding as necessary.

Anticipated Completion Date for Corrective Action

The County Department implemented its plan in December 1999.

Contact Person Responsible for Corrective Action

John R. "Jack" Hogan, Deputy Director, Administrative Services and Finance, Summit County Department of Human Services, 47 North Main Street, Akron, Ohio 44308, Phone: (330) 643-7329

1999-HUM09-028 Monitoring Subrecipients - Franklin County

Corrective Action Plan

Due to staff shortages, the Franklin County Department of Human Services suspended the monitoring of every low risk subrecipient and concentrated on higher risk contractors. The auditors did not determine that any of the moneys distributed to these unmonitored, Title XX subrecipients was unreasonable, unnecessary, or misspent. However, the County Department has already undertaken the following corrective steps: 1) re-evaluated its current staffing needs in the contract area and recommended to the County Commissioners that additional personnel be employed to monitor all contractors, including Title XX contractors; 2) obtained approval from the County Commissioners to employ three additional contract staff and implemented a process to hire two additional staff during the second quarter of 2000; 3) re-employed the system previously utilized to track the status of monitoring efforts, corrective action requirements, and compliance; and 4) initiated contract monitoring in 2000 to include monitoring of fiscal year 1999.

Anticipated Completion Date for Corrective Action

June 30, 2000

Contact Person Responsible for Corrective Action

James Burtch, Deputy Director, Quality Support Services, Franklin County Department of Human Services, 80 East Fulton Street, Columbus, Ohio 43214, Phone: (614) 462-5389

1999-HUM10-029 Unallowable Social Service Expenditures - Franklin County

Corrective Action Plan

The contract referenced herein, authorized Franklin County Children Services (FCCS) to expend funds under three distinct billing codes, 713.0: Receipt of Reports, Identification, Investigation and Diagnosis and Collateral contacts; 714.01: Ongoing Supervision of Child Receiving Protective Services; and 703.02: Provision of a Day of Children's Services, from the State's Title XX Social Services Block Grant Plan for the period July 1, 1997 through June 30, 1999. All of the funds were expended under these codes. Prior to the execution of this contract, the agency reviewed, with its Ohio Department of Human Services' Account Manager, the accuracy of the codes utilized therein and was assured of their accuracy. Therefore, we believe the expenditures of our subrecipient, FCCS, were proper and should not be questioned.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM10-029 Unallowable Social Service Expenditures - Franklin County (Continued)

Corrective Action Plan (Continued)

The County Department proposes the following: 1) Assign to the Department's Legislative Analyst, the responsibility to review federal regulations to ensure that our contracts with subrecipients do not violate these regulations and, to ensure that there are no conflicts between plans and federal regulations; 2) to work with the Ohio Department of Human Services to review the current Title XX Social Services Block Grant Plan to determine if conflicts exist and to assist in amending said plan where conflicts are identified; and 3) to monitor the County Department's Title XX contracts to ensure that funds are expended only for allowable purposes.

Anticipated Completion Date for Corrective Action

May 31, 2000

Contact Person Responsible for Corrective Action

James Burtch, Deputy Director, Quality Support Services, Franklin County Department of Human Services, 80 East Fulton Street, Columbus, Ohio 43214, Phone: (614) 462-5389

1999-HUM11-030 Improper Expenditures - Franklin County

Corrective Action Plan

The County Department will double-check coding entries to ensure that invoices are properly coded prior to the release of payment. In addition, the County Department will randomly select a sample of invoices for evaluation to verify proper coding and payment. The process of random selection will assist in identifying inaccuracies in coding and allow for timely correction.

Anticipated Completion Date for Corrective Action

February 4, 2000

Contact Person Responsible for Corrective Action

Joseph A Gregory, Deputy Director, Management Support Services/Fiscal, Franklin County Department of Human Services, 80 East Fulton, Columbus, Ohio, 43215, Phone: (614) 462-4279

1999-HUM12-031 Income and Eligibility Verification System (IEVS) - Due Dates

Corrective Action Plan

Effective December 1, 1999, the Department restored the GDE089RA report. This report lists the number of IEVS matches received by each county, the number completed and percentage of completion, and the number incomplete and percentage of incomplete. By restoring this report, we have provided a mechanism by which both the county departments of human services and the Department can monitor the completion rates of IEVS matches.

Monthly, summary reports will be provided to Management Evaluation Reviewers who will incorporate a discussion of county delinquency rates into their final reports. The reviewers will discuss with the counties their IEVS processing procedures and offer assistance in establishing corrective measures.

This will impact the approximately 30 to 40 county departments of human services reviewed annually.

Anticipated Completion Date for Corrective Action

February 7, 2000

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM12-031 Income and Eligibility Verification System (IEVS) - Due Dates (Continued)

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

1999-HUM13-032 Income and Eligibility Verification System (IEVS) - Inadequate Documentation

Corrective Action Plan

During the Department's Management Evaluation Review process, reviewers will discuss with county administrators the importance of the supervisory review process in relation to IEVS documentation and reiterate existing documentation regulations. In addition, reviewers will offer assistance in developing and implementing a consistent supervisory review of the documentation of IEVS alert resolutions. All known county best practices will be shared with county agencies.

Anticipated Completion Date for Corrective Action

February 2000

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

1999-HUM14-033 Income and Eligibility Verification System (IEVS) - Monitoring by ODHS

Corrective Action Plan

Based upon the weaknesses identified in the audit finding, the statements below comprise the Department's response to the auditor's recommendations.

- An IEVS Cost/Benefit analysis was completed in January 1999. We are in the process of completing another Cost/Benefit analysis, which will cover fiscal year 1999. The recommendations of the IEVS Advisory Committee are most likely outdated. However, the Bureau of Systems Development and Deloitte Consulting have recently begun a study to analyze how current Data Exchange processes among the Department's mission-critical applications can be modified, consolidated, added, and/or eliminated to improve efficiency.
- Incorporating new data matches into the current IEVS system would not enhance compliance tracking. Compliance tracking provides the following tools:
 - 1) Provides county departments of human services coordinators with the ability to designate temporary IEVS workers to receive and process existing or future matches.
 - 2) Provides workers with a means of accessing all IEVS source screens through the Data Exchange Compliance Tracking Selection (DESL) screen.
 - 3) DESL and Data Exchange Compliance Tracking Results (DEEV) screens allow the actual reporting of findings.
- The addition of new matches consistently remains under the Department's consideration. Current initiatives, such as W-4 New Hire Reporting matches, result in more timely receipt of income information, rendering State Wage Information Collection Agency matches obsolete.

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM14-033 Income and Eligibility Verification System (IEVS) - Monitoring by ODHS (Continued)

Corrective Action Plan (Continued)

- Account Managers at the state level serve as liaisons with the county departments of human services in a partnership to establish standards for work processing.
- The Bureau of Audit has no current plans to include a review of IEVS as part of its county-level audits. However, the current Quality Control (QC) and Top Error Element Review (TEER) processes examine the completion of all IEVS matches in approximately 1200 QC and 9000 TEER reviews.
- No state-level internal audit of IEVS operations is planned. The Department uses the Federal National Food Stamp Tolerance Level as the performance standard for the county departments of human services. This tolerance level is determined by the national error rate average. The Department has been below the National Tolerance Level for the past two years. This is a direct reflection of county performance. Processing standards are currently in place based on the requisite time lines for completion of high- and medium-priority matches for the Food Stamp, TANF, and Medicaid Programs.
- It is unrealistic to expect 88 independent counties to adopt uniform IEVS processing procedures, given their unique nature (metro, rural, etc.). Account Managers at the state level and Bureau of Program Integrity staff will work with the counties to develop procedures better suited to meet each county's individual needs.

Anticipated Completion Date for Corrective Action

February 2000

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

1999-HUM15-034 Temporary Assistance for Needy Families (TANF) - Sanctions

Corrective Action Plan

In October 1998, the Quality Assurance Section within the Bureau of Program Integrity began a pilot review in 16 counties of 750 TANF cases that include individuals required to participate in work activities. As part of that review, state staff reviewed CRIS-E data and compared it to actual recipient circumstances, including the proper and timely imposition of sanctions. Cases found not to be in compliance with Work Program rules, including sanctions, were referred to the local agency. In addition, the Department has a monthly file that lists those individuals who have been sanctioned due to failing to comply with work requirements. This file is available from the Bureau of Research and Evaluation and contains county specific information.

In October 1999, a revised TANF Work Program review was instituted statewide. In this review, sampled cases found to include individuals identified by the county as sanctionable, but were not sanctioned, are to be referred back to the local agency. In addition, individuals, who failed to comply with work requirements but were not identified by the county and therefore no sanction action was taken, will be noted. The county will be required to review the case to determine if good cause existed for the individual. If good cause did not exist, sanctioning of the case will begin.

The random sample of cases for our federal Quality Control (QC) review and our state Top Error Element Review (TEER), are populated with a representative number of food stamp cases that include TANF recipients. During the review process in either sample, field staff review hard copy case data at the local agency. Should a TANF

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM15-034 Temporary Assistance for Needy Families (TANF) – Sanctions (Continued)

Corrective Action Plan (Continued)

recipient be subject to sanction and, in error, continue to receive cash assistance, field staff would notify the local agency of this finding.

The Department agrees to generate a listing of all sanctions, by type which management can use to monitor the TANF program. The Workforce Activities Coordinators (WACs) in the regional offices currently complete quality reviews on sanctions in the counties. There is a Work Activities Review Manual, dated December 10, 1999, that is used by the WACs to complete the reviews, which include self-sufficiency contracts, appropriate work activities, and sanctions.

The Quality Assurance Section reviews data finding on an on-going basis. Should either Work Program or Child Support sanction errors become a significant problem on a state or individual county level, the Quality Initiatives Section will be responsible for developing a program of corrective action. At this time, it does not appear that our samples indicate a significant dollar loss due to the failure of local agencies to take sanctions.

Anticipated Completion Date

April 1, 2000

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

Brenda Newsom, Section Chief, Work Activities Policy, Ohio Department of Human Services, 65 East State Street, 5th Floor, Columbus, Ohio 43215, **Phone:** (614) 752-4540

1999-HUM16-035 Lack of Corrective Action

Corrective Action Plan

The Department has recently formed an internal Audit Committee, which consists of Assistant Deputy Directors from each office, to monitor the corrective action plans developed in response to the 1999 State Single Audit findings. This Committee will meet regularly to review the progress of each corrective action plan. The Department also plans to incorporate the plans into the statewide Internal Accounting Control Program (IACP).

Anticipated Completion Date for Corrective Action

The Audit Committee was formed in January 2000 and will continue indefinitely.

Contact Person Responsible for Corrective Action

Martha Arter, Executive Assistant, Ohio Department of Human Services, 30 East Broad Street, 32nd Floor, Columbus, Ohio 43266-0423, **Phone:** (614) 466-6282

1999-HUM17-036 Unapproved Indirect Cost Allocation Amendments

Corrective Action Plan

The Department's Bureau of Accounting will assign financial expenditure codes that are consistent with the Agency Special Edit Master Table (CSED edit table) in the Central Accounting System. This table, maintained by the Office of Fiscal Services, will only allow certain coding combinations to be valid. These valid combinations will be consistent with the Cost Allocation Plan.

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM17-036 Unapproved Indirect Cost Allocation Amendments (Continued)

Corrective Action Plan (Continued)

The Cost Allocation Plan (CAP) is a plan rather than an exhaustive listing of every possible combination of coding in the agency. Because of the magnitude of the organizational changes during the state fiscal year, many new spending codes were added which, in effect, were recoded for a unit functioning in the same manner previously under a different code. It is not required to amend the plan in such cases since the function and allocation methodology has not changed only the state's coding assignment. Every effort is made in all cases to ensure that the reporting category indicating cost pool or direct grant charges, for each expenditure, is appropriate for the purpose of the expenditure, regardless of the spending responsibility center.

In the short run, the Department will make every effort to list all correct spending responsibility centers in each revision of the cost allocation plan. A section will also be added to the cost allocation plan to explain the Department's philosophy on coding and the emphasis on correct assignment of reporting categories as being the key to appropriate charging of federal grant programs.

The Department will develop the CSED edit table to allow only certain coding combinations consistent with the CAP to be valid. The Bureau of Accounting will assign financial expenditure codes that are consistent with the CSED edit table in the Central Accounting System, with exceptions approved only through overrides when appropriate. The coding and CAP must be completely revised for the merger of the Department and the Ohio Bureau of Employment Services into the Ohio Department of Jobs and Family Services; therefore, it is not anticipated that revised CSED edit could be developed and operational before the end of the biennium.

Anticipated Completion Date for Corrective Action

The Department will add a key explaining the coding and assignment of reporting categories as an amendment to the CAP for the quarter effective October/December 1999, which will be filed by March 2000. The CSED edit table will be developed and implemented by July 2001.

Contact Person Responsible for Corrective Action

Suzi Ballinger, Chief, Bureau of Budget Management and Analysis, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-8740

Stephen Boudinot, Chief, Bureau of Accounting, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43266-0423 Phone: (614) 466-4303

1999-HUM18-037 Subrecipient Monitoring - Medicaid

Corrective Action Plan

As stated in the 1998 Corrective Action Plan, the Department has re-negotiated its Medicaid interagency agreements to specify the nature of its relationship with each state agency and the Department's expectations of the state agency. However, the Department has not determined its position with regard to the 1999 audit finding due to insufficient information. The Department is concerned about this issue and will work with other agencies and the Auditor of State's Office to determine the appropriate course of action.

Anticipated Completion Date for Corrective Action

The Department's implementation of its corrective action plan will continue throughout calendar year 2000.

Contact Person Responsible for Corrective Action

Frank Blazewicz, Assistant Bureau Chief, Health Plan Policy, Ohio Department of Human Services, 30 East Broad Street, 27th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-6420

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM19-038 Untimely SETS Implementation

Corrective Action Plan

In September 1999, the Department filed a Corrective Compliance Plan and Annual Planning Document Update with the Office of Child Support Enforcement (OCSE) that outlined its software release plans and conversion schedule, which would ensure compliance with the federal requirements for certification by September 30, 2000. Both plans have been accepted and the Department continues to work closely with OCSE. Internal controls and reviews are in place to monitor performance and adherence to the software release and conversion schedules. As of January 21, the Department has 448,055 cases on SETS.

Anticipated Completion Date for Corrective Action

September 30, 2000

Contact Person Responsible for Corrective Action

Stephanie Milburn, Assistant Deputy Director, Ohio Department of Human Services, 30 East Broad Street, 32nd Floor, Columbus, Ohio 43266-0423, Phone: (614) 752-6561

1999-HUM20-039 Unreviewed Food Stamp Reports

Corrective Action Plan

The FNS-46 Food Coupon Accountability and FNS-250 Issuance Reconciliation reports are reviewed thoroughly for accuracy and completeness. Each FNS-250 report is reviewed to determine that the ending inventory from the prior month is the beginning inventory, plus any received shipments of paper food coupons, agrees. Reviewing the information contained on the FNS-250 report with corresponding information from CRIS-E does not gain the degree of accuracy the auditors wish to see. Timing, as with all reporting, has been and continues to be an issue. It is an issue the auditors wish to ignore in their findings. The individual reviewing the reports will initial and date the reports as they complete their review.

It is unclear as to what the term, "supervisory approval," before reports are submitted to the federal grantor agency means. If the auditor will review the document more closely, both reports require the signature of the individual completing the report and the FNS-250 requires the signature and title of a state agency official. This signature is the signature of the county department of human services' director or assistant director. This individual attests to the accuracy and completeness of the report in question. It is unclear as to the value of an additional signature before the report is submitted to the federal grantor agency.

The individual responsible for the review and timely submission of the reports in question to the federal grantor agency utilizes a tracking process. As each report is received by the state agency, it is so noted and those county agencies not submitting the required report on timely basis are contacted by phone, as often as necessary, until the report is received.

The Department has made a commitment that once totally converted to the electronic benefits transfer system, the FNS-46 report will show consolidated figures. According to federal requirement, this consolidated report will begin with January 2000 activity, due the federal grantor agency by the end of April 2000.

Management will periodically review the activities of the individual responsible for performing the FNS-250 and FNS-46 review and submission.

Anticipated Completion Date for Corrective Action

The Department implemented its corrective action plan in January 2000.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM20-039 Unreviewed Food Stamp Reports (Continued)

Contact Person Responsible for Corrective Action

David Schwartz, Project Manager, Ohio Department of Human Services, 65 East State Street, 5th Floor, Columbus, Ohio 43215, Phone: (614) 466-6814

1999-HUM21-040 Untimely Eligibility Redeterminations - Various Counties

Corrective Action Plan

Ohio counties cited in the audit finding have developed the following corrective action plans or responses.

The Hamilton County Department of Human Services has added an additional staff position within the Revenue Enhancement Unit to work on eligibility redeterminations to ensure that they are done in a timely manner. The Department also plans to add an additional supervisor position to monitor and perform supervisory reviews of the redetermination printout and periodic reviews of case files.

The Lucas County Department of Human Services Entitlement specialists and supervisor receive edits indicating when redeterminations are due. As part of the review of these edits, the supervisor will check on the status of any redeterminations to ensure they are being completed on a timely basis.

The Hancock County Department of Human Services has established a reminder system (tickler) to generate notification to case managers of the due date for redetermination. A copy of the notice is provided to the supervisor. A signature line for supervisory review has been added to form ODHS 1452, Title IV-E Foster Care Maintenance Determination/Redetermination, to ensure Supervisors have been made aware of the child's Title IV-E status and redetermination.

Anticipated Completion Date for Corrective Action

The Lucas and Hancock County Departments of Human Services have implemented their corrective action plans. The Hamilton County Department of Human services anticipates to have its corrective action plan implemented by April 1, 2000.

Contact Person Responsible for Corrective Action

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

Diana Hoover, Children's Protective Services Supervisor, Hancock County Department of Human Services, 7814 CR 140, Findlay, Ohio 45840, Phone: (419) 424-7022

Barbara Henderson, Entitlements Supervisor, Lucas County Department of Human Services, 705 Adams Street, 11th Floor, Toledo, Ohio 43624, Phone: (419)-213-3258

1999-HUM22-041 Income and Eligibility Verification System - Monitoring by Counties

Corrective Action Plan

Effective December 1999, the Department reinstated the GDE089RA Delinquency Report. This report will be issued monthly. In addition, Department staff will monitor the delinquency rates of county departments of human services on a monthly basis.

Anticipated Completion Date for Corrective Action

December 1999

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM22-041 Income and Eligibility Verification System - Monitoring by Counties (Continued)

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

1999-HUM23-042 Income And Eligibility Verification System - Training

Corrective Action Plan

The Department's course offerings reflect a balance of departmental and county staff needs. CRIS-E training needs assessment over the past several years, has not included any requests for IEVS-specific course offerings. Instruction is provided in the initial CRIS-E session for new county Income Maintenance workers on IEVS matches, the alerts, and timeframes by which IEVS matches are to be investigated, processed, and resolved.

For the past several years, workers have been walked through the CRIS-IEVS process using overhead transparencies and handouts. There is currently no technical mechanism in the on-line CRIS-E training region to simulate IEVS transactions to provide hands-on training. The Department believes that using live, production data and the production region would not be an acceptable solution given the highly confidential nature of IEVS data. The Department will explore data processing options with MIS and the Bureau of Program Integrity to obtain IEVS test data to conduct hands-on training, as needed.

Anticipated Completion Date for Corrective Action

The Department's MIS and Bureau of Program Integrity have begun to determine if test IEVS data can be created and used for training purposes. If this is not possible, other means of providing IEVS training for the CRIS-E user will be explored.

Contact Person Responsible for Corrective Action

Robin E. Rice, Office of Professional Development and Quality Services, Assistant Deputy Director, Ohio Department of Human Services, 180 East Gay Street, 18th Floor, Columbus, Ohio 43215, Phone: (614) 995-3291

1999-HUM24-043 Data Processing - Accuracy of CRIS-E Input

Corrective Action Plan

The Department agrees that several of the CRIS-E screens could be enhanced with edit controls to prevent eligibility worker keystroke errors from unintentionally impacting the extent of benefit or eligibility determinations by the system. A point-by-point exposition in support of the Department's position follows.

Detail Shelter Cost Screen (AEFSC) – The AEFSC does have an individual number line to indicate which individual is paying the shelter cost. However, when that individual leaves the assistance group the shelter cost screen is deleted for that individual. A Service Request Form (SRF) will be completed and submitted to Systems Development to request an edit to all the shelter screens when the individual paying the shelter cost leaves the assistance group. The edit would force the eligibility worker to complete AEFSC for an individual still in the household.

Detail Utility Cost Screen (AEFUC) –The AEFUC is completed for each individual in the household before CRIS-E determines the assistance groups within the household (at that particular residence). A SRF will be submitted to Systems Development to not allow greater than 100 percent total for all of the assistance groups within that household. If the assistance group pays less than 100 percent, we will allow the eligibility worker to enter less than 100 percent. This is necessary when several assistance groups live at one residence and some of the assistance groups within the residence are not applying for assistance and are not known to the system.

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM24-043 Data Processing - Accuracy of CRIS-E Input (Continued)

Corrective Action Plan (Continued)

Detail Employment Information screen (AEIEI) – The AEIEI does not display the calculated amount without reentering the screen. A SRF will be submitted to Systems Development to allow the eligibility worker to hit a PF function key to do the calculation before hitting enter to exit the screen. This would not be forced but rather an option. The other proposal would require the eligibility worker to hit "enter" to see the calculation on AEIEI and then hit "enter" again to exit the screen. Either way, we do not view this as assisting the eligibility worker to make a determination if the calculation is correct before seeing the amount in the budget. The only way to ensure that the calculated amount is correct would be to manually calculate the budget to see if the same results are obtained. The other problem is that there is not always a calculation of income depending on the payment frequency type entered; with the latter proposal, the eligibility worker would still be forced through these steps.

All of these SRF proposals will be presented and discussed with the county eligibility workers for their input regarding the need for additional edits and the best approach from their perspective. There is an ongoing County Liaison Committee that develops and proposes initiatives from the users perspective; these are then presented and discussed with Systems Development for prioritization into the workload.

Anticipated Completion Date for Corrective Action

The Department implemented its plan in December 1999.

Contact Person Responsible for Corrective Action

Trudie Palmer, CRIS-E Help Desk and Marilyn Braun, Food Stamp/TEFAP Section, Ohio Department of Human Services, 65 East State Street, Columbus, Ohio 43266-0423, Phone: (614) 466-4815

1999-HUM25-044 Data Processing - Manual Overrides of CRIS-E (Fiats)

Corrective Action Plan

Currently, the Department's CRIS-E Help Desk FIAT Coordinator receives alerts on every FIAT that is completed by the county departments of human services. Throughout the month, the Coordinator randomly chooses FIATs to review for accuracy. If a county incorrectly FIATs a case, the Coordinator works with the County FIAT Coordinator to correct the situation. The CRIS-E Help Desk FIAT Coordinator also meets with Systems Analysts from MIS on a monthly basis, as well as the County Human Services CRIS-E Liaison Committee to review priorities for working on problems with the system including FIATS. The FIAT Coordinator will continue to work with MIS and the committee to prioritize problems associated with FIATS.

Anticipated Completion Date for Corrective Action

The Department has already implemented its corrective action plan.

Contact Person Responsible for Corrective Action:

Trudie Palmer, FIAT Coordinator, Ohio Department of Human Services, 5th Floor, 65 East State Street, Columbus, Ohio 43215, Phone: (614) 466-7526

1999-HUM26-045 Temporary Assistance for Needy Families - Monitoring

Corrective Action Plan

The provisions of the federal Personal Responsibility and Work Opportunity Reconciliation Act eliminated federal mandates on states to perform quality control procedures on the Temporary Assistance for Needy Families (TANF) Program. The State has continued to concentrate its efforts over the past several years on reducing the Food Stamp error rate. For the first time in more than 10 years, Ohio's 1999 error rate was below the national average, which resulted in not being sanctioned by the U.S. Department of Agriculture, Food and Nutrition Service.

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM26-045 Temporary Assistance for Needy Families - Monitoring (Continued)

Anticipated Completion Date for Corrective Action

In July 1999, the Department began to develop quality control procedures for the TANF program in relation to the upcoming merger of the Department and the Ohio Bureau of Employment Services into the newly created Ohio Department of Jobs and Family Services.

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

1999-HUM27-046 Food Stamp SAS 70 Report

Corrective Action Plan

The SAS 70 is an exhaustive audit of financial processors. The last estimate the Department received to perform one on the Electronic Benefits Transfer (EBT) project processor was approximately \$200,000. The EBT Project for the State of Ohio was competitively bid with a seven-year contract, which began in January 1997. At that time there was no requirement by the Auditor of State's Office or the US Department of Agriculture (USDA) for a SAS 70 audit of the processor. The USDA, which oversees the Food Stamp/EBT programs and provides 100 percent of the benefit funds and 50 percent of the administrative funds, still does not require a SAS 70 for EBT processors. However the USDA does require that each EBT program meet cost neutrality, which means that the State's EBT project must not cost more than the paper food stamp system it is replacing. If the EBT system costs more, then the state must pay those costs from state funds only. A plan to have a SAS 70 performed annually would certainly push the Department over the edge of cost neutrality and does not appear to be a feasible action at this time.

Anticipated Completion Date for Corrective Action

Not applicable

Contact Person Responsible for Corrective Action

David Schwartz, Project Manager, Ohio Department of Human Services, 65 East State Street, 5th Floor, Columbus, Ohio 43215, Phone: (614) 466-6814

1999-HUM28-047 Review of Food Stamp EBT Reports from Vendor

Corrective Action Plan

The Department's Electronic Benefits Transfer Project Manager, or designee, will henceforth note on the vendor reports with a signature and date when the report was reviewed. If any discrepancies are found, a report of the discrepancy and disposition will be attached to the report.

Anticipated Completion Date for Corrective Action

The Department has implemented its corrective action plan.

Contact Person Responsible for Corrective Action

David Schwartz, Project Manager, Ohio Department of Human Services, 65 East State Street, 5th Floor, Columbus, Ohio 43215, Phone: (614) 466-6814

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM29-048 Foster Care Contracts

Corrective Action Plan

The Department will develop rules and a detailed model contract for counties to use with private providers. The contract will specifically identify: 1) the roles and responsibilities of each party; 2) the laws and regulations which must be followed; 3) costs or activities which are allowable and unallowable under the program; and 4) how the contractor will monitor the activities and compliance of the contractee.

Anticipated Completion Date for Corrective Action

July 1, 2000.

Contact Person Responsible for Corrective Action

Tanya D. Clark, Executive Assistant, Ohio Department of Human Services, 65 East State Street, 9th Floor, Columbus, Ohio 43215, Phone: (614) 752-6190

1999-HUM30-049 No Historical Payment Data in FACSIS

Corrective Action Plan

The Department's ability to maintain historical payment information is included in the Statewide Automated Child Welfare Information System (SACWIS) design, which is scheduled for completion in 2004. The Department is cognizant of the new federal regulations that become effective for March 2000 and will make a decision to modify the existing system or wait on the new system.

Based on the requirements of the new federal regulations, a planning group will be formed to identify needed changes and/or modifications and develop action steps. The planning group will be assembled and meet by March 31, 2000

Anticipated Completion Date for Corrective Action

The completion date will be determined by the Department's decision to modify the existing system or wait until SACWIS is completed.

Contact Person Responsible for Corrective Action

Tanya D. Clark, Executive Assistant, Ohio Department of Human Services, 65 East State Street, 9th Floor, Columbus, Ohio 43215, Phone: (614) 752-6190

1999-HUM31-050 Child Support Bank Reconciliations

Corrective Action Plan

In March 2000, the Department will implement Phase I of the Centralized Collection and Disbursement (CC&D) Unit, pursuant to requirements under the Personal Responsibility and Work Opportunity Reconciliation Act. In Phase I, the daily bank reconciliation process moves from the counties converted to SETS to the central unit where the reconciliation will be handled by the vendor (Bank One). The county child support enforcement agencies will retain responsibility for managing and balancing any held moneys that are not automatically disbursed.

As a result of recommendations presented by the Reconciliation Assessment Team in November 1999 and from feedback provided by the County CC&D Work Group in conjunction with the creation of a centralized collection and disbursement unit, as of March 31, 2000, several financial reports will be modified to support better on-going reconciliation activities in the counties. Based on feedback from the Reconciliation Assessment Team, the SETS reconciliation training materials have been modified and expanded to better meet the training and knowledge needs of individuals responsible for performing the reconciliations.

Additional, on-site assistance will be provided to all counties to help with reconciliation.

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM31-050 Child Support Bank Reconciliations (Continued)

Corrective Action Plan (Continued)

The Department concurs with the auditor's recommendation that steps be taken to encourage counties to write off irreconcilable differences, which appear to be due to long-standing items or where a consistent difference can be shown to exist for an extended period of time. We will develop criteria to identify such circumstances and will encourage the counties to write off such amounts. This should assist in the reduction of the number of irreconcilable accounts and the irreconcilable amounts in such accounts.

Anticipated Completion Date for Corrective Action

The Department will complete Phase I of the CC&D unit in March 2000. Additional assistance will be provided on an as-able basis.

Contact Person Responsible for Corrective Action

Stephanie Milburn, Assistant Deputy Director, Office of Child Support, Ohio Department of Human Services, 30 East Broad Street, 32nd Floor, Columbus, Ohio 43266-0423, Phone: (614) 752-6561

1999-HUM32-051 SETS - Lack of Training and Support to Counties

Corrective Action Plan

As a means of supporting the SETS software and providing adequate and meaningful training to the counties, the Department's SETS training courses currently offer conversion and intake processing of SETS cases training. The Department has modified existing course curriculum to ensure that sessions reflect the most current information on case and financial management processing. Course offerings cover every subsystem within SETS, as well as more specialized curriculum.

The Department has developed and conducted sessions for the SETS' legal community, extensive SETS training for conversion team leaders, and special sessions, such as reconciliation, for county and district office staff. In the fall of 1999, the Department created and distributed a SETS training needs assessment to evaluate our current course offerings, and to solicit comments and input on new sessions to be offered in the future. The opportunity to write in suggested curriculum was offered, as well as the chance to offer any comments regarding SETS training in general. In response to the inquiries, two new SETS training sessions were created and are being offered within this quarter's training calendar. Additional courses are under development to satisfy the needs of county child support users.

As counties convert to SETS, the Department has made every effort to see that county employees were offered every opportunity to participate in SETS training sessions. The Department has often scheduled multiple sessions to accommodate the number of individuals with training needs and have also scheduled additional sessions tailored to meet an individual county's demands. Franklin, Montgomery, Tuscarawas, Summit, and Hamilton counties are just a few of the counties for which the Department has scheduled special sessions.

Although beyond their scope of duties, the SETS training staff have on numerous occasions traveled to counties to provide more individualized attention to counties in need. Further, three of our trainers have been reassigned to the Department's reconciliation team created to assist counties in their reconciliation efforts.

In 1999 alone, the Department offered a total of 367 sessions at the five regional SETS training centers. Approximately 4,000 SETS users took advantage of our course offerings; users attended at least one of the 15 SETS classes available.

HELP Desk: In September 1999, the HELP Desk implemented a new telephone system that has resulted in improved call distribution and handling. The HELP Desk is handling a larger volume of calls with fewer calls being forwarded to voice mail. The HELP Desk has also added additional staff to help with call volume.

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM32-051 SETS - Lack of Training and Support to Counties (Continued)

Corrective Action Plan (Continued)

The HELP Desk routinely notifies all conversion team leaders when a reported issue has been fixed and moved to production. They notify all counties when an issue affects all counties. The notification process started in November of 1998 and has greatly improved. The daily user update on the innerweb also details the daily production fixes. In addition, we are working with the Department's web group to create screen links for all the bulletins issued and status of the bulletins. Ultimately, all bulletins and emails the HELP Desk issues will be on the Internet.

Financial Management. The SETS reconciliation training was modified and expanded based on county feedback from the needs assessment. The reconciliation workflow is being reviewed and modified based on the upcoming conversion to a centralized collection and disbursement unit. Training is also being modified to address the new reports and workflow.

Anticipated Completion Date

Since July 1999, the Department has made considerable improvement in providing relevant SETS training. These activities will continue in the future. SETS training will be designed to provide participants with the opportunity to develop and enhance day-to-day skills needed to perform their jobs.

Contact Person Responsible for Corrective Action

Robin Rice, Office of Professional Development and Quality Services, Assistant Deputy Director, Ohio Department of Human Services, 180 East Gay Street 18th Floor, Columbus, Ohio 43215, Phone: (614) 995-3291

1999-HUM33-052 Sets - System Development Life Cycle

Corrective Action Plan

The Department and SETS management have implemented System Development Life Cycle (SDLC) management. The SETS project follows the MIS policy and procedure manual developed by the Bureau Standards Configuration Management (#MIS:018) and is currently tracking each of the elements of the SDLC for each release via Project WorkBench, weekly status reports, etc. In addition, the Department has created the SETS Executive Steering Committee, which consists of representatives from Ohio Child Support Enforcement Agency (CSEA) Directors Association, the metro counties, and the Department to provide general oversight and guidance to the project. This committee represents a cross-section of the CSEA community - metro, small and medium counties, and it exists to help identify, prioritize, and define SETS system development enhancements from the county's perspective.

Current software enhancements are being driven by FSA88 and requirements of the Personal Responsibility and Work Opportunity Reconciliation Act for federal certification of the system. If the changes desired by the counties (or the pilot counties) do not match these requirements, they are generally not implemented or scheduled at this time.

The Department has presented its development planning methodology and time line to the Office of Child Support Enforcement and received approval of the same.

Anticipated Completion Date for Corrective Action

The Department has implemented its corrective action plan.

Contact Person Responsible for Corrective Action

Stephanie Milburn, Assistant Deputy Director, Office of Child Support, Ohio Department of Human Services, 50 West Broad Street, Columbus, Ohio 43215, Phone: 614-752-6561

**STATE OF OHIO
CORRECTIVE ACTION PLAN
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM34-053 Voucher Summary Support Detail

Corrective Action Plan

The Department could better research issues identified in the auditors' finding and make a more informed response to it if the auditor could identify specific reports and forms, by number, in Control-D. The title, "Voucher Summary Support Detail," is somewhat confusing because the Client Registry Information System-Enhanced produces voucher summaries and voucher detail for some programs, and voucher detail only for other programs.

The connection between disbursements and the determination of eligibility, which the audit finding indicates, would be desirable, however the Department cannot make the connection in all cases. It is not the purpose of voucher reports to support recipient-level look-up on any system. The benefit vehicle itself, (e.g., the Medicaid card) or other recipient-level detail reports produced in the benefit issuance process carry information for this purpose.

Voucher detail reports identify 1) 10-digit case numbers, 2) benefit type and amount information, and 3) the person who physically receives the benefit vehicles (e.g., benefit checks, Medicaid cards, and food stamps) such as a beneficiary, family member, guardian, or authorized representative.

The Department must consider several issues prior to creating a universal identifier for all systems, and consequently, the auditors' recommendation would not solve the problem of tracking vouchers to recipients, since this would involve comparing case-level information with recipient-level information. In certain situations, the connection between systems is intentionally severed to protect confidentiality.

In spite of this, the Department is establishing, where appropriate, a department-wide identifier using the Integrated Client Management System and the Data Warehouse.

Finally, information on Control-D reports were unavailable for the period, November 1998 to February 1999, due to an oversight by the tester when installing the new release of the Control-D reports. It is the Department's policy to archive and retain reports for three years. However, due to the tester's error, the reports were held only five days. Also, during this time, normal disaster recovery backups had expired, as they are retained only 90 days. The Department has taken steps to ensure a more detailed and thorough checklist is adhered to during the software migration process.

Anticipated Completion Date for Corrective Action

The Department does not agree with the finding, therefore no corrective action plan was developed.

Contact Person Responsible for the Corrective Action

Mark Birnbrich, Deputy Director, Office of MIS, Ohio Department of Human Services, 30 East Broad Street, Columbus, Ohio 43266-0423, Phone: (614) 466-2303

1999-HUM35-054 Control Weaknesses/Coding Errors - Expenditures

Corrective Action Plan

The Department's internal accounting controls, which require a checklist be completed and signed on each Voucher Summary (VSU), was not consistently completed. Accounting staff and supervisors will be instructed to be more diligent in their VSU preparation and approval. While tick marks on each voucher summary is not required as part of the approval process, it does represent an additional internal control that the Department will implement. Additionally, the Department will implement a monthly reconciliation of VSU supporting documentation to the general entry ledger.

Anticipated Completion Date for Corrective Action

March 30, 2000

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM35-054 Control Weaknesses/Coding Errors - Expenditures (Continued)

Contact Person Responsible for Corrective Action

Yvonne Gore and Don Oxen rider, Section Chiefs, Bureau of Accounting, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-4303

1999-HUM36-055 Contracts/Relationships with County Agencies

Corrective Action Plan

Currently, the Department does have written agreements between its Director and each board of county commissioners regarding the administration and design of the Ohio Works First Program, the Prevention, Retention and Contingency Program, and Workforce Development activities. These partnership agreements are required under Sections 307.98 and 5101.21, Ohio Revised Code. Each agreement is based on local plans including a county community plan, a plan of cooperation with all county social service agencies, a transportation work plan, and a workforce development plan. The partnership agreements cover the two-year State biennium and must be renewed for each subsequent biennium.

In light of the creation of the Ohio Department of Job and Family Services with the merger of the Department and the Ohio Bureau of Employment Services, a briefing paper is being developed to evaluate the relationship between the state and county agencies. This paper will be submitted to the Director and Assistant Directors for review and to decide how counties will be considered.

Anticipated Completion Date for Corrective Action

March 2000

Contact Person Responsible for Corrective Action

Robert E. Lewis, Deputy Director for Office of Fiscal Services, Ohio Department of Human Services, 30 East Broad Street, 30th Floor Columbus, Ohio 43266-0423, Phone: (614) 466-2924

1999-HUM37-056 Medicaid - MECQ Eligibility Reviews

Corrective Action Plan

The Department's case files from the July 1998 to September 1998 period were reviewed in the same manner as the previous MECQ Supervisor. The District Office Supervisor reviewed each active and negative case from that time period. Only error cases were re-examined by the State MECQ Supervisor. The negative case review, which occurred on cases sampled from October 1998 through March 1999, were 100 percent reviewed by the State Medicaid Supervisor, with no district office review.

Internal controls have been implemented. The district office supervisory staff supervises one Medicaid reviewer, and the remaining four reviewers are supervised by the state MECQ Supervisor. Each is responsible for supervisory review of their direct staff. The Management Analyst that assists with the MECQ process will review each case to ensure appropriate supervisory sign-off prior to filing.

Anticipated Completion Date for Corrective Action

The Department has implemented its corrective action plan.

Contact Person Responsible for Agency Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM38-057 Medicaid - Verification of Third-Party Liabilities

Corrective Action Plan

The Department does not agree with the finding that no control procedures are in place to provide assurance that third-party files created were accurate and complete. The control document is the 6612 form. The Department verifies all 6612 forms with insurance carriers with the exception of those received from the child support enforcement agencies and children services boards. The Ohio Revised Code and Ohio Administrative Code require these agencies to verify the insurance before forwarding requests to the Department.

The Department agrees that there have been problems with verification of third-party liabilities and cost avoidance work processes due in part to staff shortages. Since the 1998 audit period, corrective action has been taken, including the hiring of additional staff and the implementation of new procedures. An example of a new procedure is the Cost Avoidance Unit (CAU), which has devised a plan to work and track CAU worksheets of third-party liability leads with the provider community.

The Department has created a Quality Services Through Partnership (QSTP) team to look at the Cost Avoidance Unit's work process. The team will perform a comprehensive review of the third-party liability process including findings identified during the State's Single Audit.

Anticipated Completion Date for Corrective Action

May 2000.

Contact Person Responsible for Corrective Action

Martha Lang, Acting Bureau Chief, Bureau of Plan Operations, Ohio Department of Human Services, 65 East State Street, 4th Floor, Columbus, Ohio 43215-2365, Phone: (614) 466-2365

1999-HUM39-058 Medicaid - Documentation of Reviews

Corrective Action Plan

Long-Term Care – The Department concurs with the assessment in the audit report of the importance of adequate quality control procedures with respect to monitoring activities of departmental staff. The Office of Research, Assessment and Accountability is cognizant of the need to maintain adequate control procedures over audits performed by staff. A recent restructuring within the Bureau of Audit created a separate Audit Quality and Technical Support Section, which has developed a comprehensive audit manual. This manual, which has been submitted to the Chief Deputy Auditor, Office of the Auditor of State, for review, includes formal procedures for self-reviews by audit staff, detailed supervisory reviews, and cursory reviews by the Chief, Audit and Advisory Support Services Section. Basic working paper documentation and sign-off requirements, as well as the review requirements have been the subject of formal staff training internally and the majority of staff have attended training on audit evidence and working papers provided by the U. S. Department of Agriculture's Graduate School.

Performance of audit work with due professional care and in compliance with the specific audit procedures has been made a specific performance expectation of the audit staff and the managers. These expectations have been communicated to staff and managers in writing and monitoring procedures are in place to verify compliance. In addition, the Audit Quality and Technical Support Section have developed a program for independent reviews of selected working papers. These reviews will include a quantitative assessment of the quality of the audit work and will be a factor in annual evaluations of staff and in considering the qualifications of individuals for advancement.

Where such audits have been contracted to public accounting firms by arrangement with the Auditor of State, the firms are required to perform audits in accordance with professional standards established by the American Institute of Certified Public Accountants. It is our understanding that this includes the performance of appropriate

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM39-058 Medicaid - Documentation of Reviews (Continued)

Corrective Action Plan (Continued)

quality reviews by the their audit staff and managers. The Audit Quality and Technical Support Section, as a control, performs a review of audit working papers submitted by such firms.

Surveillance and Utilization Review (SUR) – The SUR does review provider self-audits for content and methodology before it accepts the provider's reimbursement. There is supervisory sign-off and SUR issues an acceptance letter to the provider. In response to the audit finding, the Section Chief has met with supervisory staff and line staff to ensure that supervisory sign-off is utilized to signify the supervisor has knowledge of the case status.

Provider Eligibility – The five exceptions were a result of administrative procedures not being followed. Currently, we have in place a two-tier review, the lead worker and the supervisor. Our corrective action is that the two-tier process was reviewed with the supervisor and lead worker to ensure the established process is enacted and a meeting with line staff to review proper completion of a processed application.

Hospital Audits – Tracking the settlement process of hospital audits has been a standard practice for numerous years. Each auditor, reviewer, and supervisor signs off on a route slip upon completion of their respective review of the cost report prior to mailing to the provider. Time elements contained on the route slips are also used to prepare an intrastate payment voucher for billing the Department of Health for staff time spent on its program settlement determination.

Anticipated Completion Date for Corrective Action

The Department's procedures with regard to long-term care audits were put into place January 10, 2000. The cursory reviews will be performed on a limited basis until additional technical staff can be made available to increase their frequency.

The Department has implemented its corrective action for SUR and Provider Eligibility. Hospital audits will be corrected as appropriate staff levels are met in calendar year 2000.

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

Martha Lang, Acting Bureau Chief, Bureau of Plan Operations, Ohio Department of Human Services, 65 East State Street, 4th Floor, Columbus, Ohio 43215-2365, Phone: (614) 466-2365

Debbie Clement, Section Chief, Financial Management and Hospital Benefits, Bureau of Health Plan Policy, Ohio Department of Human Services, 30 East Broad Street, 27th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-6420

1999-HUM40-059 Medicaid - Provider Overpayment Controls

Corrective Action Plan

The Department's Accounts Receivable Section will begin using a spreadsheet to record overpayments that have resulted from a desk review. The supervisor will review the spreadsheet monthly. Overpayments not received within the quarter in which they occurred will be referred to the Federal Reporting Unit to be included on the HCFA 64. The collection process will begin for accounts not paid within 45 days.

The specific internal control recommendations for voided and canceled warrants are part of Fiscal Services procedures. Due to staff shortages, CAS adjustment letters reconciliations were delayed. While management did

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM40-059 Medicaid - Provider Overpayment Controls (Continued)

Corrective Action Plan (Continued)

review adjustment letter requests, documentation supporting this review was not maintained properly. Staff vacancies in this area are currently being filled. With sufficient staff, reconciliations will be timely and evidence of management review will be supported.

Anticipated Completion Date for Corrective Action

April 30, 2000

Contact Person Responsible for the Corrective Action

Robin Harris and Don Oxenrider, Section Chiefs, Bureau of Accounting, Ohio Department of Human Services, 30 East Broad Street, 30 th Floor, Columbus, Ohio 43266-0423, Phone: 614-466-4303

1999-HUM41-060 Medicaid - HCAP and Nursing Franchise Fees

Corrective Action Plan

The Department does not believe the implementation of a procedure manual is the most practical method to ensure the accuracy and completeness of amounts used to calculate Hospital Care Assurance Program (HCAP) assessments, given the annual changes that occur in the assessment and distribution formulas for HCAP. Instead, the Department proposes to use a checklist that would provide formal documentation of the existing informal internal controls methods, including verifying that fund balances are incorporated into calculation of assessment amounts.

Informal internal control methods are employed to ensure the accuracy and completeness of the assessment amounts for HCAP, which include working with the hospital industry as required in statute. In addition, the HCAP assessment and distribution formulas are carefully checked to ensure compliance with state and federal law. It should be noted that nowhere in federal law or state law, including Ohio Administrative Code, does it indicate that the program fund balance should be incorporated into the calculation of assessment amounts for HCAP. Chapter 5112, Ohio Revised Code, states that all moneys credited to the hospital care assurance program fund, including investment earnings, shall be used solely to make payments to hospitals under the provisions governing the distribution formula for HCAP.

Due to the timing of the posting of investment earnings and the federal requirement to distribute funds prior to the end of the federal fiscal year, the Department has in practice incorporated any investment earnings posted during a program year in the subsequent program year to ensure the investment earnings are distributed to the hospitals as soon as possible. With the exception of federal fiscal year 1998/state fiscal year 1999 HCAP, the existing fund balance has always been included in the calculation of assessment amounts for subsequent program years. Due to turnover in staff, the fund balance was not incorporated into federal fiscal year 1998/state fiscal year 1999 HCAP, but was incorporated into the calculation of assessment amounts for federal fiscal year 1999/state fiscal year 2000 HCAP. While the Department has complied with the requirement to use the program fund, including investment earnings, to solely make payments to hospitals through HCAP, the Department was not in compliance with our routine internal practice of incorporating the program fund balance into the calculation of assessment amounts.

The audit finding also indicates the need for evidence of supervisory review of daily and weekly deposit activity reports. The supervisor of the Accounts Receivable Section in the Department's Fiscal Section will review the daily activity reports for all deposits. These reports will have visible notations to support this review.

Anticipated Completion Date for Corrective Action

The checklist will be developed and implemented for use in the next HCAP program year, October 2000. Evidence of supervisory review of daily and weekly deposit activity reports will be implemented immediately.

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM41-060 Medicaid - HCAP and Nursing Franchise Fees (Continued)

Contact Person Responsible for Corrective Action

Robin Harris, Chief, Accounts Receivable Section, Ohio Department of Human Services, 30 East Broad Street 30th Floor, Columbus, Ohio 43266-0423, Phone: 614-466-4303

Debbie Clement, Section Chief, Financial Management and Hospital Benefits, Bureau of Health Plan Policy, Ohio Department of Human Services, 30 East Broad Street, 27th Floor, Columbus, Ohio 43266-0423, Phone: (614) 466-6420

1999-HUM42-061 Medicaid - Long-Term Care Patient Liabilities

Corrective Action Plan

The material weakness, as stated in the audit finding is not entirely accurate. The Department's CRIS-E/MMIS interface occurs daily, not monthly. Two major oversights appear to have taken place in the audit performed. First, Long-Term Care (LTC) information is part of the nightly CRIS-E/MMIS Recipient Master File (RMF) Update Process that takes place six nights a week. Secondly, in random pulling of remittance advices, auditors may not have taken into consideration that the final reconciliation of a claim payment may have taken place through the issuance of a gross credit or adjustment. LTC claims history remains on-line for two years from the date of payment, as long as the reimbursement of the vendor payment claim is greater than \$0.00. Claims for which the patient resource amount exceeds the maximum Medicaid allowance can be purged from the system after 12 months. Claim-specific adjustments can only be effected to those claims currently residing in the on-line history file. In cases where a vendor payment claim has been purged, a gross credit or adjustment transaction is substituted.

Claim-specific and gross credit and adjustment transactions involving a change in patient resources are marked with adjustment reason codes 72 or 73. However, not all claims can be identified in this manner. In cases where a change in recipient patient resources take place at the same time as a change in the LTC provider s per diem rate, the per diem rate adjustment reason code will be reflected in the claim record.

The issue of Medicaid LTC patient liabilities conflicts continues to be a concern. However, the accuracy rate has been improved and now approaches the 95th percentile. Patient resources are applied to the MMIS RMF, LTC vendor payment spans by way of three different sources; CRIS-E daily RMF transactions, county human services department form 9400 requests, and the annual federal Social Security cost-of-living adjustments. Conflicts between CRIS-E and the MMIS RMF can be traced directly to the use or misuse of data transmitted via these mediums.

The use of CRIS-E to transmit Long Term Care (LTC) Vendor payment information via the MMIS/CRIS-E - FACSIS Interface was implemented in July of 1997. Up until that time, all LTC Vendor Payment Information was entered into the RMF of the MMIS through online updates from data transmitted by County Departments of Human Services on the 9400 form. Patient Resource Amounts for periods prior to the Vendor Pay Status Date are not applicable to the support of MMIS LTC Vendor Payment claim generation.

Further compromising the integrity of the process is the ability of county caseworkers to utilize the 9400 form to override LTC patient resource data contained in CRIS-E. An ongoing battle has been waged over this practice. Violations with the recipient appeal process have taken place in which county case workers have attempted to induce retroactive increases contrary to rules currently in effect. As a result, the LTC Unit of Plan Operations must verify each 9400 request against CRIS-E before applying it to the MMIS. Current staffing does not permit the unit to keep pace with the number of requests it receives, and a substantial backlog currently exists.

**STATE OF OHIO
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JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM42-061 Medicaid - Long-Term Care Patient Liabilities (Continued)

Corrective Action Plan (Continued)

While there are problems with the system and the procedures currently in place, there is 95 percent accuracy between the data contained on the LTC budget screens (AEFES) of CRIS-E and the patient resource amounts listed on MMIS.

Anticipated Completion Date for Corrective Action

The Department established an Interface Task Force group in the Fall of 1999 to address concerns regarding this and other interface issues.

Contact Person Responsible for Corrective Action

Mark Birnbrich, Deputy Director, Office of MIS, Ohio Department of Human Services, 30 East Broad Street, Columbus, Ohio 43215, Phone: (614) 466-2303

1999-HUM43-062 Medicaid - Managed Care Provider Verification

Corrective Action Plan

The Department has selected and implemented a standard report format to document its review of managed care provider compliance with provider panel and capacity requirements.

Anticipated Completion Date for Corrective Action

The Department has implemented its corrective action plan.

Contact Person Responsible for the Corrective Action

Cindy Burnell, Bureau Chief, Bureau of Managed Health Care, Ohio Department of Human Service, 65 East State Street, 3rd Floor, Columbus, Ohio 43215, Phone: (614) 466-4693

1999-HUM44-063 Child Care Development Fund - Monitoring Procedures

Corrective Action Plan

The Department's Unit Supervisor will review, monthly, a case log, which contains pertinent review information (e.g., county name, date of site visit, date of bureau letter reporting findings, need for corrective action, and date corrective action response received) to track site visit data. Incomplete or overdue responses will be addressed with the responsible staff person. In this way, required unit activity and county responses will be more closely followed. Additionally, the filing process in use will be evaluated to ensure the integrity of all documents in the county case files. The Department will also change its yearly review calendar to follow the dates of the state fiscal year.

Anticipated Completion Date for Corrective Action

February 15, 2000

Contact Person Responsible for Corrective Action

Stephanie Shafer, Supervisor, County Technical Support, Ohio Department of Human Services, 65 East State Street, 5th Floor, Columbus, Ohio 43215, Phone: 614-466-7762

**STATE OF OHIO
CORRECTIVE ACTION PLAN
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM45-064 Internal Audits - Testing Automated Controls

Corrective Action Plan

The Department concurs with the assessment of the importance of adequate monitoring and control procedures with respect to the significant computer systems used by the Department for the processing of data related to the federal programs. However, the audit finding is not clear as to the steps, which the auditor is recommending that the Department takes in this area, or how the recommendation relates to the numerous review and control processes currently in place in this area. For this reason, we are requesting that the Auditor of State meet with appropriate departmental staff to clarify their position.

Anticipated Completion Date for Corrective Action

A meeting to address this situation will be scheduled with the auditors at their earliest convenience, subject to a positive response on their part to our request for clarification.

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

1999-HUM46-065 Late County Reports - Various Counties

Corrective Action Plan

Both the Department's Bureau of County Finance and Technical Assistance and the county departments of human services tested in the audit report were in the process of implementing software programs during the audit period. Hamilton and Montgomery counties have new systems that have created problems in the accurate reporting of expenditures on a timely basis for these agencies. It is imperative that the Department receives accurate data for preparation of federal claims. The Department was initially apprehensive about receiving estimated expenditure reports since county agencies may forget to upload actual expenditure data when the information became available.

The audit finding is inaccurate in stating that the Central Office Reporting (COrE) System will not process transactions for a current month until the prior month's have been entered.

The Bureau has implemented the following corrective actions.

- County agencies are currently working with their county auditor to generate financial data on time for completion of reports. If problems continue with the county auditors providing the Department with timely financial information, a process to receive estimated data will need to be established.
- Administrative Procedure Manual Transmittal Letter No. 204, effective October 1, 1999, was issued to advise county agencies of due dates for reports and procedures for submitting and uploading data from the Quarterly Information Consolidation System (QuIC) to the COrE System.
- The Bureau of County Finance and Technical Assistance has recently established both automated and manual reports to monitor the receipt and upload of data. We are working with the computer software contractor to provide more training for counties on the upload process and other procedures.
- Staff from most of the county departments of human services and child support enforcement agencies attended the QuIC User Group and received training in November 1999 on various processes in the new Y2K compliant QuIC System and interfaces with the COrE System.
- Effective July 1, 2000, the Department will reduce advance funding to those counties not forwarding timely and accurate data. When the advance is calculated, it will be done based on actual expenditures

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM46-065 Late County Reports - Various Counties (Continued)

Corrective Action Plan (Continued)

for prior quarters. Counties that do not submitted data or submit inaccurate data will have expenditures associated with those quarters reduced.

In addition, Ohio counties cited in the audit finding have developed the following corrective action plans or responses.

The Hamilton County Department of Human Services reports were late because the county's auditor would not close out a month and give information to the Department until after the Department's due dates. The county's auditor plans to complete the records in a timelier manner with the new computer system.

The Lorain County Department of Human Services will begin submitting reports to the Department via certified mail to assure that all reports are received in a timely manner. In addition, Lorain County will continue to have income maintenance and child support enforcement agency supervisors prepare the ODHS 4228 report to submit to fiscal for a comparative check to insure accuracy. To date, the Department is unable to provide electronic reporting for the ODHS 4228. The ODHS 4289 collections report was late in the periods mentioned due to the SETS conversion and unavailability of reports. Since then, the reporting has improved, and Lorain County is able to submit in a timely manner. The ODHS 4289 will now be due quarterly; however, Lorain County will continue to compile the data monthly to insure timely reporting.

Prior to the exit interview, the Summit County Department of Human Services had already recognized the need for an internal clearinghouse for incoming and outgoing reports. The County Department has proposed that, a high level administrator, take responsibility for monitoring the receipt and submittal of reports to the state.

The Franklin County Department of Human Services' oversight of not completing the required ODHS 4282 forms was identified in December 1998. The completion of these forms in a timelier manner was compromised by the untimely death of the county employee that completed the 4282 form. The additional environmental factor to this currently non-existing issue was impacted by not only having new staff to the unit, but also new management in the County Department's Fiscal Unit and Finance Department. The responsibility of completing and filing the reports has been delegated to a staff line member and is monitored by the unit's supervisor for timely submission. As of December 1998, the reports have been submitted within the required timeline. The Franklin County Department of Human Services' Director has assumed responsibility for filing the ODHS 4228 and 4223 reports. A report schedule has been developed, which indicates the date when a report is due.

A supervisor within the Hancock County Department of Human Services will make note of the due dates for ODHS 4289/4223/4234 reports and will advise workers to assure timeliness. All reports that are submitted to the Department via facsimile will have a copy of the fax report attached indicating the date and time the fax was submitted to the Department. If mailed, the date will be stamped on the reports. The County Department will update its procedural handbook to include the instructions and source documents to be used in preparing the ODHS 4228 report. In addition, the County Department is working to convert all cases to the Support Enforcement Tracking System (SETS). Once the conversion is complete, the reports will no longer be the Department's responsibility. A meeting will be scheduled with district and state staff to assure correct procedures are being followed. The procedural handbook update is to be completed by December 1, 1999. The conversion of cases to SETS will be completed by January 1, 2000.

The Montgomery County Department of Human Services ODHS 2827 report was late due to the conversion to a new Performance Financial System installed by the County's Office of Management and Budget. Montgomery County did not receive financial information on a timely basis. The County kept the state informed of the conversion status. The ODHS 2750 report was e-mailed to the state on September 15, 1998. The May report was late due to the conversion of the Performance Financial Management System. The report was completed as soon as information became available. The County kept the state informed of the conversion status. The ODHS

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM46-065 Late County Reports - Various Counties (Continued)

Corrective Action Plan (Continued)

4282 report is a CRIS-E generated report and is no longer prepared from the county level. In the future, should county reporting lag behind, Montgomery County will request documentation to this effect. The ODHS 4228 report is a system-generated report and is no longer required from the counties. Montgomery County has recently installed a new financial management database. While the learning curve on this new system has taken longer than expected, the County anticipates that by January 1, 2000, it will be able to receive all of the necessary financial data necessary to complete these reports on time.

Supervisors at the Delaware County Department of Human Services Social Services have made a note in their appointment books at the beginning of each month to complete the ODHS 4282 report for the month that ended prior to that date. These reports will be submitted through the County Department's Assistant Director who may serve as a clearinghouse or an official second reminder to complete these reports.

The Union County Department of Human Service will hire one additional full-time Child Support Supervisor to monitor reporting timeliness.

Beginning with the October 1998 ODHS 4282 report, the Cuyahoga County Department of Human Services stopped reporting on information and referral activities and expenditures. The County Department made the decision to begin charging this activity against the TANF allocation, instead of the Title XX allocation. Cuyahoga County will make sure the necessary information is available to prepare the direct service (Protective Services-Adult) section of the ODHS 4282 report. The County will also follow-up to make sure the reports have been received at the State, since some past reports were lost and not received. Both the Cuyahoga County FNS 250 and FNS 46 reports have been reassigned to the Senior Administrative Officer. These reports will be completed by required due dates.

Anticipated Completion Date for Corrective Action

The Franklin, Delaware, and Cuyahoga County Departments of Human Services have implemented their corrective action plans. The Hamilton County Department of Human Services' corrective action plan is in process and should be completed by July 2000. The Lorain County Department of Human Services' corrective action plan will be implemented by October 20, 1999. The Summit County Department of Human Services plans to have a monitoring process in place by March 1, 2000. The Hancock County Department of Human Services implemented its corrective action plan on December 1, 1999.

Contact Person Responsible for Corrective Action

Lou Ann Shy, Chief, Bureau of County Finance and Technical Assistance, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43215, Phone: (614) 752-9194

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

Tom Matotek, Fiscal Administrator, Lorain County Department of Human Services, 42485 North Ridge Road, Elyria, Ohio 44035, Phone: (440) 284-4512

Susan Johnson, Chief, Performance Management, Summit County Department of Human Services, 47 North Main Street, Akron, Ohio 44308, Phone: (330) 643-7502

Joseph A Gregory, Deputy Director, Management Support Services/Fiscal, Franklin County Department of Human Services, 80 East Fulton, Columbus, OH, 43215, Phone: (614) 462-4279

Sheldon L. Bycynski, CSEA Administrator, Hancock County Department of Human Services, 7814 County Road 140 Findlay, Ohio 45840, Phone: (419) 424-1365

**STATE OF OHIO
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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM46-065 Late County Reports - Various Counties (Continued)

Contact Person Responsible for Corrective Action (Continued)

Wilma Roach, Director of Financial Management, Montgomery County Department of Human Services, 14 West Fourth Street, Dayton Ohio 45422, Phone: (937) 225-4471

Jim Little, Social Service Supervisor, Delaware County Department of Human Services, 149 North Sandusky Street, Delaware, Ohio 43015, Phone: (740) 368-1990

Mary Limes, Family Support Administrator, Union County Department of Human Services, Post Office Box 389, Marysville, Ohio 43040, Phone: (937) 644-1010

Maxine Nunn, Fiscal Officer, Department of Senior and Adult Services, Cuyahoga County Department of Human Services, Reserve Square Building, Lower Level, 1701 East 12th Street, Cleveland, Ohio 44114, Phone: (216) 420-6756

1999-HUM47-066 Missing Documentation – Various Counties

Corrective Action Plan

The Department's Office of Legal Services will produce a legal opinion which will be provided to all County Departments of Human Services (CDHS) and Public Children Services Agencies (PCSA) emphasizing the importance of preserving and having pertinent eligibility documentation for all programs available in each case record. The legal opinion will also emphasize the importance of maintaining retention schedules, which are in compliance with state and federal requirements. The Department will also ensure that ODHS sponsored quarterly meetings with CDHS and PCSA administrative staffs include, as an agenda item emphasis on the need to properly preserve and have available in the case records, all eligibility documentation for all programs.

Ohio counties cited in the audit finding have developed the following corrective action plans or responses.

The Hamilton County Department of Human Services will review their procedures for completing these forms and will plan to keep all forms even if there is no comment.

The Summit County Department of Human Services has placed overall responsibility under a single Administrator with one staff person concentrating on the ODHS 4223, 4228, and 4234 reports and implementing recommendations.

The Hancock Department of Human Services will complete an Adult Abuse, Neglect and Exploitation Report for all Adult Protective Services cases. The Department's Social Services Supervisor will confirm the presence of this form when all initial eligibility determinations are reviewed.

The Lucas County Department of Human Services Entitlement's Specialists and Supervisor receive edits indicating when redeterminations are due. As part of the review of these edits, the Entitlements Supervisor will check on the status of any redeterminations to ensure they are being completed on a timely basis. The entitlement specialists are to fill out and sign the checklists. The Entitlements Supervisor is also to sign off on checklists for all cases. The Entitlements Supervisor will also, on a random basis, review all documentation included in the file. It should be noted that no required documents were missing from the five files that did not include a signed checklist. It is the Department's policy for the accounting clerks to initial invoices to denote their review. The Accounting Supervisor will stress this policy with the accounting clerks and will review the invoices on a random basis for the required approval. The necessity of having complete information will be stressed by the Entitlements Supervisor to the entitlement specialists. The Entitlements Supervisor will review the files on a random basis for completeness.

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM47-066 Missing Documentation – Various Counties (Continued)

Corrective Action Plan (Continued)

The Delaware County Department of Human Services will develop a separate Case Record verification form, developed for Adoption Assistance, for each record and inserted inside the front cover of each respective file. The 20 Adoption Assistance Cases and the 22 Foster Care Cases will be reviewed. The Department will first install the aforementioned check list forms in each file and then assure that the respective missing documentation are recovered from either other Agency documents or from the Courts records. At the conclusion of those corrections, the Department will then start reviewing other Adoption Assistance or open Foster Care files to assure that they are in compliance.

The Union County Department of Human Services plans to hire supervisory staff in Child Welfare to provide specialized programmatic supervision of substitute care.

The Cuyahoga County Department of Human Services will develop a policy addressing the issue of which forms, hard copy, must be maintained in the client case records. In addition, the existing Administrative Rule will be reviewed with Team Coordinators for review with Neighborhood Family Service Center team members (i.e., team leaders, self-sufficiency coaches). Finally, a management review will occur in a representative sample quarterly to ensure compliance with this Administrative Rule and subsequent Department policies.

Anticipated Completion Date for Corrective Action

The Department's legal opinion will be completed before March 1, 2000. The quarterly meetings will be held throughout the rest of calendar year 2000.

In addition, completion dates for Ohio counties noted in the finding are as follows: Hamilton County – June 2000; Summit County – March 30, 2000; Hancock County – December 31, 1999; Lucas County – January 2, 2000; Delaware County – April 30, 2000, Union County – February 28, 2000; and Cuyahoga County – April 2000.

Contact Person Responsible for Corrective Action

Joel Potts, Deputy Director, County Operations, Ohio Department of Human Services, 65 East State Street, 9th Floor, Columbus, Ohio 43215, Phone: (614) 644-0137

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

Susan Johnson, Chief, Performance Management, Lorain County Department of Human Services, 47 North Main Street, Akron, Ohio 44308, Phone: (330) 643-7502

James E. Flechtner, Social Services Supervisor, Hancock County Department of Human Services, Post Office Box 270, Findlay, Ohio 45839, Phone: (419) 422-0182

Barbara Henderson, Entitlements Supervisor, Lucas County Department of Human Services, 705 Adams Street, 11th Floor, Toledo, Ohio 43624, Phone: (419)-213-3258

Jim Little and Lee Hayes, Social Services Supervisors, Delaware County Department of Human Services, 149 North Sandusky Street, Delaware, Ohio 43015, Phone: (740) 368-1990

Pat Williams, Social Service Supervisor, Union County Department of Human Services, Post Office Box 389, Marysville, Ohio, Phone: (937) 644-1010

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM47-066 Missing Documentation – Various Counties (Continued)

Contact Person Responsible for Corrective Action (Continued)

Daniel Fitzgerald, Assistant Director of Administration, 175 South Main Street, Akron, Ohio 44308, Phone: (330) 643-8255

1999-HUM48-067 Supervisory Review of Case Files - Various Counties

Corrective Action Plan

The Department's monitoring of supervisory reviews is accomplished through the Management Evaluation Review process. The Department conducts approximately 35 to 40 reviews a year. Prior to each review, the Department forwards a survey to the county department of human services. The survey asks questions regarding the county's processes and procedures. One survey question asks whether the county has a supervisory review process. If a county indicates that it does not have such a process, a sample of the cases is selected and examined for method and results of the supervisory review. The Department provides feedback to each county on the effectiveness of reviews. If no supervisory review process exists, the Department examines Quality Control, Top Error Element Review, and Management Evaluation findings to determine if such a process is warranted. If so, the Department recommends that the county implements supervisory review procedures

In addition, Ohio counties cited in the audit finding have developed the following corrective action plans or responses.

The Hamilton County Department of Human Services plans to conduct quality assurance reviews of its cases.

At the initial determination and redetermination, a Supervisor at the Hancock County Department of Human Services' will review all Medicaid/TANF (Ohio Works First without food stamps) applications and printed copy of information. All food stamp only cases are quality assured at initial determination, at redetermination, and when there is a change. The Case Manager and Supervisor will sign all TANF prevention, retention, and contingency (PRC) applications. The PRC Supervisor will review applications prior to signing the voucher for payment. The Department's Social Services Supervisor will review all Title XX Social Services cases at the time the Program Manager approves the case, both at initial eligibility and at redetermination. The Supervisor will 1) assure that eligibility was determined correctly and that necessary documentation is in the case file and 2) sign approval on a cover sheet to be devised for that purpose, or return the case file to the Program Manager for correction of deficiencies.

The Summit County Department of Human Services' Accounting Manager will select a minimum of five Title IV-E case files at random on a monthly basis. The Manager of Accounting or the Junior Accountant will review these files for accuracy and completeness. The review will include original determination procedures, completion of appropriate redeterminations, and Title IV-E reimbursement correctness. The case file will be appropriately annotated by the Manager of Accounting to reflect this review. The Manager of Accounting will keep a log of all case files, which have been reviewed.

The Lucas County Department of Human Services has reviewed the audit finding with the Paternity Support Department's Supervisor. At the beginning of each week, the Department's Establishment Unit investigators will have two cases (one new and one existing) for which they will have to complete a form that will be inserted in the file at the time of case distribution to the investigator with a log made of those cases. Once the investigator has completed the necessary work or after 30 days of receiving this particular case, whichever is first, they will place the file in the designated place for review. The Supervisor will use the log as a checklist, and once done, will record a date in the parent locate review field that can be used to keep track of those cases reviewed.

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OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM48-067 Supervisory Review of Case Files - Various Counties (Continued)

Corrective Action Plan (Continued)

In July 1999, the Union County Department of Human Services created a Quality Assurance and Training Unit. The activities assigned to this unit will improve case review in all major program areas. In addition, the unit is responsible for coordinating training, particularly in known error-prone areas and new areas.

The Cuyahoga County Department of Human Services' Senior Administrative Officer will prepare the reports, and the Manager of Administrative Services will review and approve.

Anticipated Completion Date for Corrective Action

The Department's corrective action plan was implemented on October 1, 1999.

The Union County Department of Human Services has implemented its corrective action plan. The Cuyahoga and Lucas County Departments of Human Services implemented their corrective action plans in January 2000. The Hancock and Summit County Departments of Human Services corrective action plans were implemented on December 31, 1999. The Hamilton County Department of Human Services will implement its corrective action in July 2000.

Contact Person Responsible for Corrective Action

Kevin Giangola, Assistant Deputy Director, Office of Research, Assessment and Accountability, Ohio Department of Human Services, 50 West Broad Street, 17th Floor, Columbus, Ohio 43215, Phone: (614) 644-5739

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

Beverly Rarey, TANF/PRC/Medicaid Supervisor and Jim Flechtner, Title XX Supervisor, Hancock County Department of Human Services, Columbus AAO, OCSE Division of Audit, 7814 CR 140, Findlay, Ohio 45839, Phone: (419) 422-0182

Maricarol Torsok, Director, Lucas County Department of Human Services, 701 Adams Street, Toledo, Ohio 43624, Phone: (419) 213-3103

Lynda Nietz, Income Maintenance Supervisor, Union County Department of Human Services, Post Office Box 389, Marysville, Ohio 43040, Phone: (937) 644-1010

Luzelle Lewis, Senior Administrative Officer, Summit County Department of Human Services, 1641 Payne Avenue, Cleveland, Ohio 44114, Phone: (216) 987-7428

1999-HUM49-068 RMS Procedures Not Followed - Various Counties

Corrective Action Plan

The Department's Bureau of County Finance and Technical Assistance is in the process of establishing a training package on RMS for both financial and RMS Coordinators on the procedures to be followed for this study.

Ohio counties cited in the audit finding have developed the following corrective action plans or responses.

The Hamilton County Department of Human Services is now requiring Social Services Coordinators to sign the SSRMS forms.

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM49-068 RMS Procedures Not Followed - Various Counties (Continued)

Corrective Action Plan (Continued)

To ensure that there is full compliance on ODHS Form 2710A for RMS interviews, the Franklin County Department of Human Services RMS Coordinator is performing interviews (via the telephone) with all members that are identified as requiring interviews. The annotation of all necessary information (interviewee's name, interviewer's name, response(s), date, and time, etc) is being documented on the 2710A form. When the Coordinator is not present to accomplish this function, the Coordinator's Alternate will accomplish this function in the same prescribed manner. The reports are filed in the Fiscal Unit for further review and/or reference.

RMS forms requiring a Hancock County Department of Human Services RMS Coordinator's personal interview will be extracted from the file and given to the Coordinator each quarter. If the Coordinator is out of the office at the time of the required personal interview, an Income Maintenance Supervisor will conduct the interview. The person conducting the interview will initial the RMS form.

The Lucas County Department of Human Services employees' that are being observed initial all random moment forms. Random moment observers are also to initial each of the forms indicating their observation. This requirement will be stressed with random moment observers. All random moment forms are to be submitted by the observers to the Administrative Secretary, who will review the forms for completeness. The Random Moment Coordinator will review all entered moments on an ongoing basis. During 2000, the County Department will conduct a review of the monitoring and processing of random moments.

A Delaware County Department of Human Services Supervisor will review/interview Random Samplings identified with an asterisk to ensure the accuracy of the sampling. The Coordinator will reconcile weekly to ensure the timely return of the samplings.

The Union County Department of Human Services has met with the Administrative Secretary regarding the requirements. The Administrative Secretary will review all samples to assure that the employee signs them and, where appropriate, the supervisor required to observe has signed it as well.

The Cuyahoga County Department of Human Services management has reviewed the Ohio Department of Human Services' Policy and Procedure Manual and will reinforce the policies and procedures with all staff to ensure compliance.

Anticipated Completion Date for Corrective Action

The Department's corrective action plan will be implemented by October 1, 2000.

The Union County Department of Human Services has implemented its corrective action plan. The Lucas, Delaware, and Cuyahoga County Departments of Human Services implemented their corrective action plans in January 2000. The Franklin and Hancock County Department of Human Services implemented their corrective action plans on December 21, 1999 and November 29, 1999, respectively. The Hamilton County Department of Human Services corrective action plan is in process and should be fully implemented by April 2000.

Contact Person Responsible for Corrective Action

Lou Ann Shy, Chief, Bureau of County Finance and Technical Assistance, Ohio Department of Human Services, 30 East Broad Street, 30th Floor, Columbus, Ohio 43266-0423, Phone: (614) 752-9194

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

Beverly J. Rarey, Income Maintenance Administrator/RMS Coordinator Hancock County Department of Human Services, Post Office Box 270, Findlay, Ohio 45839, Phone: (419) 425-6375

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM49-068 RMS Procedures Not Followed - Various Counties (Continued)

Contact Person Responsible for Corrective Action (Continued)

David Sigler, Associate Director, Administrative Services, Lucas County Department of Human Services, 705 Adams Street, 11th Floor Toledo, Ohio 43624, Phone: (419)-213-3252

Angela Thomas, Assistant Director, Delaware County Department of Human Services, 149 North Sandusky Street, Delaware, Ohio 43015, Phone: (740) 368-1990

Barb Spierling, Administrative Secretary, Union County Department of Human Services, Post Office Box 389, Marysville, Ohio 43040, Phone: (937) 644-1010

Kendra Harriston, Budget Officer 3, Cuyahoga County Department of Human Services, 1641 Payne Avenue, Cleveland, Ohio 44114, Phone: (216) 987-8296

1999-HUM50-069 Expenditure Approval - Various Counties

Corrective Action Plan

Ohio counties cited in the audit finding have developed the following corrective action plans or responses.

In January 2000, the Hamilton County Department of Human Services began processing all payments through the County computer system, which requires electronic approvals of managers.

The Lucas County Department of Human Services' policy requires its Accounting Clerks to initial invoices to document their review. The Accounting Supervisor will stress this policy with the Accounting Clerks and will review invoices on a random basis for the required approval.

The Summit County Department of Human Services Budget Director will assess and restructure the control procedures and verify that the disbursement of federal funds are accurate and properly supported.

The Cuyahoga County Department of Human Services' Business Services Manager has discussed both certificate of authorization instances with the Fiscal Officer 2 and contract payments staff to reiterate the importance of following established procedures. In addition, the Fiscal Officer 2 will randomly audit certificate of authorization forms and voucher batch sheets for required signatures/approvals.

Anticipated Date of Completion

The Cuyahoga, Hamilton, and Lucas County Departments of Human Services have implemented their corrective action plan. The Summit County Department of Human Services will implement its corrective action plan by March 3, 2000.

Contact Person Responsible for Corrective Action

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

Leah Foley, Accounting Supervisor, Lucas County Department of Human Services, 705 Adams Street, 11th Floor, Toledo, Ohio 43624, Phone: (419)-213-3240

Daniel Fitzgerald, Assistant Director of Administration, Cuyahoga County Department of Human Services, 175 South Main Street, Akron, Ohio 44308, Phone: (303) 643-8255

Dorothy Henderson, Fiscal Officer 2, Summit County Department of Human Services, 1641 Payne Avenue, Cleveland, Ohio 44114, Phone: (216) 987-6746

**STATE OF OHIO
CORRECTIVE ACTION PLAN
JULY 1, 1998 THROUGH JUNE 30, 1999**

OHIO DEPARTMENT OF HUMAN SERVICES (Continued)

1999-HUM51-070 Request For SS Reimbursement/Title IV-E Waiver - Hamilton County

Corrective Action Plan

The Hamilton County Department of Human Services plans to contact providers to determine placement costs so that Title XX and Title IV-E can be charged separately.

Anticipated Completion Date for Corrective Action

July 2000

Contact Person Responsible for Corrective Action

Michael R. Pride, Fiscal Section Chief, Hamilton County Department of Human Services, 222 East Central Parkway, Cincinnati, Ohio 45202, Phone: (513) 946-2485

1999-HUM52-071 Data Processing - Application Documentation

Corrective Action Plan

The Department's MIS section agrees with the recommendation that documentation should reflect the current processes and procedures of the system. As staff address priority projects and meet the needs of its customers, continued effort is allocated, as time is available, to update system documentation to adhere to the requirements of *MIS:018 Policy for Systems Development Life Cycle Methodology* - requiring system, operating, and user documentation.

Anticipated Completion Date for Corrective Action

Realizing the importance of accurate documentation, the Department's staff will continue to make an asserted effort to match system functionality with current procedures. Attention and effort to update documentation will be exercised on an ongoing basis, with priority subject to current activities and projects underway.

Contact Person Responsible for Corrective Action

Mark Birnrich, Deputy Director, Office of MIS, Ohio Department of Human Services, 30 East Broad Street, Columbus, Ohio 43266-0423, Phone: (614) 466-2303

OHIO DEPARTMENT OF TRANSPORTATION

1999-DOT01-072 Monitoring of Prevailing Wage Laws

Corrective Action Plan

The Department will schedule training classes for all District Prevailing Wage Coordinators. In addition, the Department's Central Office Prevailing Wage Coordinator will perform Quality Assurance Reviews in seven of the 12 district offices during the next calendar year.

Anticipated Completion Date for Corrective Action

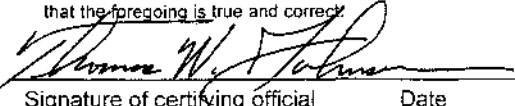
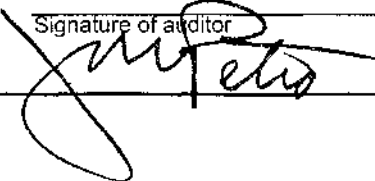
The training classes will be scheduled between March 1, 2000 and May 31, 2000. The Quality Assurance Reviews are conducted throughout the calendar year in accordance with a schedule established in January of each year.

Contact Person Responsible for Corrective Action

Linda Grant, State Prevailing Wage Coordinator, 1980 West Broad Street, 3rd Floor, Columbus, Ohio 43223, Phone: (614) 644-6662

STATE OF OHIO
DATA COLLECTION FORM
JULY 1, 1998 THROUGH JUNE 30, 1999

OMB No. 0348-0057

FORM SF-SAC (8-97)	U.S. DEPARTMENT OF COMMERCE - BUREAU OF THE CENSUS ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET
Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS	
Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."	
RETURN TO	Single Audit Clearinghouse 1201 E. 10th Street Jeffersonville, IN 47132
PART I GENERAL INFORMATION <i>(To be completed by auditee, except for Item 7)</i>	
1. Fiscal Year ending date for this submission Month Day Year 06/30/1999	2. Type of Circular A-133 audit 1 <input type="checkbox"/> Single audit 2 <input checked="" type="checkbox"/> Program-specific audit
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - Months	4. Date received by Federal clearinghouse
5. Employer Identification Number (EIN) a. Auditee EIN <u>311334820</u> b. Are multiple EINs covered in this report? 1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	
6. AUDITEE INFORMATION	7. AUDITOR INFORMATION (To be completed by auditor)
a. Auditee name State of Ohio	a. Auditor name JIM PETRO, Auditor of State
b. Auditee address <i>(Number and street)</i> 30 East Broad Street, 34th Floor City Columbus State ZIP Code OH 43266-0411	b. Auditor address <i>(Number and street)</i> 88 East Broad Street City Columbus State ZIP Code OH 43215
c. Auditee contact Name Jane Snipes Title Financial Reporting Manager	c. Auditor contact Name Jim Kennedy, CPA Title Senior Deputy Auditor
d. Auditee contact telephone (614)466-2561	d. Auditor contact telephone (614)466-3402
e. Auditee contact FAX (Optional) (614)728-9295	e. Auditor contact FAX (Optional) (614)728-7199
f. Auditee contact E-mail (Optional) jane.snipes@obm.state.oh.us	f. Auditor contact E-mail (Optional) jjkennedy@auditor.state.oh.us
g. AUDITEE CERTIFICATION STATEMENT. This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.  Signature of certifying official Date Month Day Year 2/29/2000	g. AUDITOR STATEMENT. The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.  Signature of auditor Date Month Day Year 2/29/00
Name/Title of certifying official Director, Office of Budget & Manageme	

**STATE OF OHIO
DATA COLLECTION FORM
JULY 1, 1998 THROUGH JUNE 30, 1999**

EIN: **311334820**

PART I GENERAL INFORMATION - Continued			
8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. (Mark (X) one box)			
1 <input checked="" type="checkbox"/> Cognizant agency 2 <input type="checkbox"/> Oversight agency			
9. Name of Federal cognizant or oversight agency for audit (Mark (X) one box)			
01 <input type="checkbox"/> African Development Foundation	83 <input type="checkbox"/> Federal Emergency Management Agency	16 <input type="checkbox"/> Justice	08 <input type="checkbox"/> Peace Corps
02 <input type="checkbox"/> Agency for International Development	34 <input type="checkbox"/> Federal Mediation and Conciliation Service	17 <input type="checkbox"/> Labor	59 <input type="checkbox"/> Small Business Administration
10 <input type="checkbox"/> Agriculture	39 <input type="checkbox"/> General Services Administration	43 <input type="checkbox"/> National Aeronautics and Space Administration	96 <input type="checkbox"/> Social Security Administration
11 <input type="checkbox"/> Commerce	93 <input checked="" type="checkbox"/> Health and Human Services	89 <input type="checkbox"/> National Archives and Records Administration	19 <input type="checkbox"/> State
94 <input type="checkbox"/> Corporation for National and Community Service	14 <input type="checkbox"/> Housing and Urban Development	05 <input type="checkbox"/> National Endowment for the Arts	20 <input type="checkbox"/> Transportation
12 <input type="checkbox"/> Defense	03 <input type="checkbox"/> Institute for Museum Services	06 <input type="checkbox"/> National Endowment for the Humanities	21 <input type="checkbox"/> Treasury
84 <input type="checkbox"/> Education	04 <input type="checkbox"/> Inter-American Foundation	47 <input type="checkbox"/> National Science Foundation	82 <input type="checkbox"/> United States Information Agency
81 <input type="checkbox"/> Energy	15 <input type="checkbox"/> Interior	07 <input type="checkbox"/> Office of National Drug Control Policy	64 <input type="checkbox"/> Veterans Affairs
66 <input type="checkbox"/> Environmental Protection Agency			<input type="checkbox"/> Other - Specify:
PART II FINANCIAL STATEMENTS (To be completed by auditor)			
1. Type of audit report (Mark (X) one box)			
1 <input checked="" type="checkbox"/> Unqualified opinion 2 <input type="checkbox"/> Qualified opinion 3 <input type="checkbox"/> Adverse opinion 4 <input type="checkbox"/> Disclaimer of opinion			
2. Is a "going concern" explanatory paragraph included in the audit report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
3. Is a reportable condition disclosed? 1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No - SKIP to Item 5			
4. Is any reportable condition reported as a material weakness? 1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No			
5. Is a material noncompliance disclosed? 1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No			
PART III FEDERAL PROGRAMS (To be completed by auditor)			
1. Type of audit report on major program compliance			
1 <input type="checkbox"/> Unqualified opinion 2 <input checked="" type="checkbox"/> Qualified opinion 3 <input type="checkbox"/> Adverse opinion 4 <input type="checkbox"/> Disclaimer of opinion			
2. What is the dollar threshold to distinguish Type A and Type B programs § .520(b)?			
\$ <u>27,773,858</u>			
3. Did the auditee qualify as a low-risk auditee (§ .530)?			
1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
4. Are there any audit findings required to be reported under § .510(a) ?			
1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
5. Which Federal Agencies are required to receive the reporting package? (Mark (X) all that apply)			
01 <input type="checkbox"/> African Development Foundation	83 <input type="checkbox"/> Federal Emergency Management Agency	16 <input type="checkbox"/> Justice	08 <input type="checkbox"/> Peace Corps
02 <input type="checkbox"/> Agency for International Development	34 <input type="checkbox"/> Federal Mediation and Conciliation Service	17 <input checked="" type="checkbox"/> Labor	59 <input type="checkbox"/> Small Business Administration
10 <input checked="" type="checkbox"/> Agriculture	39 <input type="checkbox"/> General Services Administration	43 <input type="checkbox"/> National Aeronautics and Space Administration	96 <input type="checkbox"/> Social Security Administration
11 <input type="checkbox"/> Commerce	93 <input checked="" type="checkbox"/> Health and Human Services	89 <input type="checkbox"/> National Archives and Records Administration	19 <input type="checkbox"/> State
94 <input checked="" type="checkbox"/> Corporation for National and Community Service	14 <input type="checkbox"/> Housing and Urban Development	05 <input type="checkbox"/> National Endowment for the Arts	20 <input checked="" type="checkbox"/> Transportation
12 <input checked="" type="checkbox"/> Defense	03 <input type="checkbox"/> Institute for Museum Services	06 <input type="checkbox"/> National Endowment for the Humanities	21 <input type="checkbox"/> Treasury
84 <input checked="" type="checkbox"/> Education	04 <input type="checkbox"/> Inter-American Foundation	47 <input type="checkbox"/> National Science Foundation	82 <input type="checkbox"/> United States Information Agency
81 <input type="checkbox"/> Energy	15 <input type="checkbox"/> Interior	07 <input type="checkbox"/> Office of National Drug Control Policy	64 <input checked="" type="checkbox"/> Veterans Affairs
66 <input type="checkbox"/> Environmental Protection Agency			00 <input type="checkbox"/> None
			<input checked="" type="checkbox"/> Other - Specify: <u>Appalachian</u>

STATE OF OHIO
DATA COLLECTION FORM
JULY 1, 1998 THROUGH JUNE 30, 1999

EIN: 311334820

FORM SF-SAC (8/97)

PART III FEDERAL PROGRAMS - Continued		7. AUDIT FINDINGS AND QUESTIONED COSTS					
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							
CFDA number ¹ (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)	Type of compliance requirement ² (b)	Amount of questioned costs (c)	Internal control findings ³ (d)	Audit finding reference number(s) (e)
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
	The information for Part III, Items	\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
	6 & 7, was submitted electronically	\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
	to the Federal Clearinghouse.	\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
	For an electronic copy of this information, please contact the auditor	\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
	contact shown in Part I, Item 7.	\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
TOTAL FEDERAL AWARDS EXPENDED ->		\$ 9,539,679,868					

*IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE
ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS*

¹ Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.

² Type of compliance requirement (Enter the letter(s) of all that apply to audit findings and questioned costs reported for each Federal program.)

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis - Bacon Act
- E. Eligibility
- F. Equipment and real property management

³ Type of internal control findings (Mark (X) all that apply)

- A. Material weaknesses
- B. Reportable conditions
- C. None reported

- G. Matching, level of effort, earmarking
- H. Period of availability of funds
- I. Procurement
- J. Program income
- K. Real property acquisition and relocation assistance

- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions
- O. None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199

STATE OF OHIO SINGLE AUDIT

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.

By: *Susan Babbitt*
Clerk of the Bureau

Date: MAR 07 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Office of the Auditor of State of Ohio
Jim Petro, Auditor of State
88 E. Broad Street
Columbus, Ohio 43216-1140
(800) 282-0370
E-mail Address: petro@auditor.state.oh.us
<http://www.auditor.state.oh.us>