



Dave Yost • Auditor of State



**CLEARWATER COUNCIL OF GOVERNMENTS  
OTTAWA COUNTY**

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# Dave Yost • Auditor of State

## Independent Auditor's Report on Applying Agreed-Upon Procedures

Halina Schroeder, Audit Chief  
Division of Fiscal Administration, Audit Office  
Ohio Department of Developmental Disabilities  
30 E. Broad Street, 13<sup>th</sup> Floor  
Columbus, Ohio 43215

Dear Ms. Schroeder:

As permitted by Ohio Rev. Code § 5123.05 and as required by the *Application for a §1915(c) Home and Community Based Services Waiver*, Appendix I-2(c), the Auditor of State's Office has performed the procedures enumerated below, to which the Ohio Department of Developmental Disabilities (DODD) agreed. The purpose is to assist you in evaluating whether the Clearwater Council of Governments (COG) prepared its *Income and Expenditure Report (Cost Report)* and *County Summary Workbooks*<sup>1</sup> for the year ended December 31, 2013 in accordance with DODD's Guide to Preparing Income and Expenditure Reports for COGs and County Boards of Developmental Disabilities (Cost Report Guides) and to assist you in evaluating whether reported receipts and disbursements complied with 2 CFR 225 (OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*), and other compliance requirements described in the procedures below. The COG's management is responsible for preparing this report. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. The sufficiency of these procedures is solely the responsibility of DODD. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Revenue Testing

1. DODD requested us to compare the COG's receipts with those reported on Section II, Department of DD of *Schedule C, Income Report* on the *County Summary Workbooks* and report any variances.

We did not perform this procedure as there were no revenues posted on Section II, of *Schedule C*. Additionally, we did not identify any receipts in the COG General Ledger report that should have been posted to Section II of *Schedule C* on the *County Summary Workbooks*.

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<sup>1</sup> The COG recorded receipts and disbursements on behalf of the county boards of developmental disabilities. The COG prepared *County Summary Workbooks* to distribute the receipts and disbursements to each of the following county boards: Crawford, Erie, Huron, Marion, Morrow, Ottawa, Seneca and Wyandot.

## Non-Payroll Expenditures

1. DODD asked us to compare the COG's disbursements on the trial balance and general ledger reports to *Schedule A, Summary of Service Costs-By Program* and worksheets 2 through 5 of the COG's Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks*, and report variances exceeding \$100 for total service contracts, other expenses and COG expenses on any worksheet.

We compared all service contracts, other expenses and COG expenses on *Schedule A, Summary of Service Costs-By Program* and worksheets 2 through 5 of the Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks* to disbursements on the COG's trial balance and General Ledger reports.

We found differences as reported in Appendix A.

2. DODD asked us to determine whether the COG's disbursements on the trial balance and general ledger reports were properly classified within two percent of total service contracts, other expenses and COG expenses for worksheets 2 through 5 of the Cost Report, and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks*, if these worksheets included variances over \$100 which are nonfederal reimbursable under 2 CFR Appendix B.

We scanned the COG's trial balance and General Ledger report, and COG and County Board trial balance worksheets for service contracts, other expenses and COG expense rows on worksheets 2 through 5 of the Cost Report, and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks* and reviewed documentation to identify disbursements not classified according to the Cost Report Guides or costs which are non-federal reimbursable under 2 CFR 225 Appendix B.

We also scanned for any program costs without corresponding statistics that are non-federal reimbursable because they do not demonstrate that the COG or one of the member County Board's programs received a measurable benefit as required under 2 CFR 225 Appendix A, section (C)(3)(a) and the Cost Report Guides.

We found misclassified and non-federal reimbursable costs as reported in Appendix A.

3. DODD asked us to haphazardly select a sample of 60 non-payroll disbursements from the General Ledger report that were classified as total service contracts, other expenses or COG expenses on worksheets 2 through 5 of the Cost Report and *Schedule A* and worksheets 2 through 10 of the *County Summary Workbooks*.

We selected 60 non-payroll disbursements and determined if supporting documentation was maintained as required by 2 CFR 225 (OMB Circular A-87, Appendix A, (C)(1)(j)) and the disbursement was properly classified according to the Cost Report Guides.

We found misclassified and non-federal reimbursable costs as reported in Appendix A.

4. DODD asked us to scan the COG's General Ledger report for items purchased during 2013 that met the COG's capitalization criteria and trace them to inclusion on the COG's fixed asset listing.

We found no unrecorded purchases meeting the capitalization criteria.

## Payroll Testing

1. DODD asked us to determine if employee salaries on the COG's payroll reports were within two percent of payroll costs reported on the Cost Report and the *County Summary Workbooks*.

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

We found no differences exceeding two percent.

2. DODD asked us to scan the COG's payroll journal for 2013 and compared classification of employees to entries on the Cost Report and *County Summary Workbooks* to determine if salary and benefit costs were reported in accordance with the Cost Report Guides.

We found no differences in the classification of employees. However, based upon finding misclassified payroll expenses in the non-payroll expenditure testing and the COG using an incorrect allocation methodology, we reported additional allocated costs in Appendix A.

## Property, Depreciation, and Asset Verification Testing

1. DODD asked us to compare the COG's procedures regarding capitalization of fixed assets with the Cost Report Guides for preparing *Worksheet 1, Capital Costs* and 2 CFR 225 (OMB Circular A-87, Appendix B, 15(a)(2)).

We found no inconsistencies as a result of applying this procedure.

2. DODD asked us to compare the COG's depreciation schedule to *Worksheet 1, Capital Costs* of the Cost Report and report any variances exceeding \$100.

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

We found no differences exceeding \$100.

3. We scanned the COG's Depreciation Schedule for 2013 for depreciation taken on the same asset more than once, assets that have been fully depreciated, or depreciation taken on assets during the period of acquisition which were not in compliance with the Cost Report Guides.

We found no differences.

4. We compared the COG's final 2012 Depreciation Schedule to the COG's 2013 Depreciation Schedules for changes in the depreciation amounts for assets purchased prior to the period under review which were not in compliance with the Cost Report Guides.

We found differences in depreciation as reported in Appendix A.

5. DODD asked that we haphazardly select the lesser of five of the COG's fixed assets or five percent of items which meet the COG's capitalization policy and are being depreciated in their first year in 2013 to determine if their useful lives agreed to the estimated useful lives prescribed in the 2008 AHA Asset Guide. DODD also requested that we re-compute the first year's depreciation for these assets, based on their cost, acquisition date and useful life to determine compliance with the Cost Report Guides.

### **Property, Depreciation, and Asset Verification Testing (Continued)**

We selected one item which met the COG's capitalization policy and was being depreciated in its first year in 2013 and determined if the useful life agreed to the estimated useful life prescribed in the 2008 AHA asset Guide. We also recomputed the depreciation for the asset, based on its cost, acquisition date and useful life.

We found no difference.

6. DODD asked us to haphazardly select the lesser of five percent of five disposed assets in 2013 from the COG's list of disposed assets and determine if the asset was removed from the COG's fixed asset ledger. DODD also requested that we recalculate depreciation and any gain or loss applicable to 2013 for the disposed items based on the undepreciated basis and any proceeds received from the disposal of the asset to determine compliance with the Cost Report Guide and CMS Publication 15-1, Chapter 1.

We selected one disposed asset and determined if the asset was removed from the COG's fixed asset ledger. We also recalculated the loss applicable to 2013 based on the undepreciated basis and proceeds from the disposal.

We found difference as reported in Appendix A.

### **Medicaid Administrative Claiming Testing**

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

We compared salaries and benefits entered on the MAC RMTS reports to the COG's Yearly Wages spreadsheet.

We found no differences exceeding one percent.

2. DODD asked us to compare the MAC RMTS reports to Lines 1-2 of *Worksheet 4, Medicaid Administrative Claiming*.

We found no differences.

3. DODD asked us to compare Ancillary Costs on the Roll up Report for Ohio Department of Medicaid to Lines 6-10 of the *MAC Reconciliation Worksheet*.

We found differences as reported in Appendix A.

4. DODD asked us to select 12 RMTS observed moments completed by employees of the COG from the DODD RMTS Participant Moments Question and Answer report for the first quarter of 2013 in which they documented their time spent on administering Medicaid-funded programs. We determined if supporting documentation of the COG employees' activity for each observed moment was maintained and the observed moment was properly classified in accordance with DODD's Guide to Medicaid Administrative Claiming (MAC) using the Random Moment Time Studies (RMTS) Methodology for 2013.

We found no differences.



Clearwater Council of Governments  
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Applying Agreed-Upon Procedures

We did not receive a response from the officials to the exceptions noted above.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the COG's Cost Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the managements of the COG, DODD, the Ohio Department of Medicaid, the Centers for Medicare and Medicaid Services, and is not intended to be, and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 4, 2015

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Appendix A  
Clearwater Council of Governments  
2013 Income and Expenditure Report and County Summary Workbook Adjustments

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<b>Clearwater Council of Governments</b>				
<b>Worksheet 1</b>				
6. Leases and Rental	\$ 4,586	\$ 1,793	\$ 6,379	To correct depreciation and record loss on disposal
<b>Worksheet 2</b>				
1. Salaries	\$ 133,580	\$ (27,019)	\$ 68,355	To agree to compiled report
		\$ (38,206)		To allocate HR costs
4. Other Expenses	\$ 288,653	\$ (2,500)		To reclassify training costs
		\$ (28,000)		To reclassify training costs
		\$ (1,217)		To reclassify county board non-federal reimbursable videos
		\$ (4,992)		To reclassify county board non-federal reimbursable videos
		\$ (6,717)		To allocate additional QARN costs
		\$ (3,906)		To agree to compiled report
		\$ (3,082)		To allocate additional Athletic costs
		\$ (8,630)		To allocate additional MUI costs
		\$ (3,168)		To allocate HR costs
		\$ (66)		To reclassify non-federal reimbursable costs, coffee
		\$ (5,181)	\$ 221,194	To reclassify non-federal reimbursable costs, shirts
<b>Worksheet 4</b>				
4. Other Expenses (B) Non-Federal Reimbursable	\$ 22,614	\$ 66		To reclassify non-federal reimbursable costs, coffee
		\$ 5,181	\$ 27,861	To reclassify non-federal reimbursable costs, shirts
<b>MAC Reconciliation Worksheet</b>				
<b>Lines (6-10) Other Cost</b>				
Column A-Reimbursement Requested Through Calendar Year	\$ -	\$ 26,734	\$ 26,734	To record ancillary costs
<b>Crawford County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-Federal Reimbursable	*\$ 1,233	\$ 152		To reclassify county board non-federal reimbursable costs, meals
		\$ 538		To reclassify non-federal reimbursable, other
		\$ 35,681	\$ 37,604	To reclassify non-federal reimbursable, bridges match
<b>Worksheet 5</b>				
Line 15. Direct Services (L) Community Residential	\$ 100,650	\$ 1,107	\$ 101,757	To allocate additional athletic costs
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 2,207	\$ 3,047	\$ 5,254	To allocate additional MUI costs
<b>Worksheet 7-B</b>				
Line 18. Nursing Services (L) Community Residential	\$ 3,429	\$ (741)	\$ 2,688	To allocate QARN costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 5,445	\$ 919	\$ 6,364	To properly allocate QA costs
<b>Worksheet 10</b>				
Line 27. Direct Services (O) Non-federal Reimbursable	\$ 36,371	\$ (152)		To reclassify county board non-federal reimbursable costs, meals
		\$ (538)		To reclassify non-federal reimbursable, other
		\$ (35,681)	\$ -	To reclassify non-federal reimbursable, bridges match

**Appendix A (Page 2)**  
**Clearwater Council of Governments**  
**2013 Income and Expenditure Report and County Summary Workbook Adjustments**

<b>Cost Report Location</b>	<b>Reported Amount</b>	<b>Correction</b>	<b>Corrected Amount</b>	<b>Explanation of Correction</b>
<b>Erie County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-Federal Reimbursable	*\$ 1,730	\$ 1,046	\$ 2,776	To reclassify county board non-federal reimbursable videos
<b>Worksheet 5</b>				
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 5,857	\$ (3,231)	\$ 2,626	To allocate additional MUI costs
<b>Worksheet 7-B</b>				
Line 18. Nursing Services (L) Community Residential	\$ 3,429	\$ 5,831	\$ 9,260	To allocate QARN costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 22,303	\$ 3,761	\$ 26,064	To properly allocate QA costs
<b>Huron County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-Federal Reimbursable	*\$ 2,732	\$ 1,217	\$ 3,949	To reclassify county board non-federal reimbursable videos
<b>Worksheet 5</b>				
Line 15. Direct Services (L) Community Residential	\$ 28,476	\$ 833		To reclassify training costs
		\$ 9,333	\$ 38,642	To reclassify training costs
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 3,309	\$ 1,945	\$ 5,254	To allocate additional MUI costs
<b>Worksheet 7-B</b>				
Line 18. Nursing Services (L) Community Residential	\$ 3,429	\$ (741)	\$ 2,688	To allocate QARN costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 22,157	\$ 3,736	\$ 25,893	To properly allocate QA costs
<b>Marion County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-federal Reimbursable	*\$ 1,233	\$ 1,250		To reclassify non-federal reimbursable costs of advertising
		\$ 13,750		To reclassify non-federal reimbursable costs of advertising
		\$ 18,779	\$ 35,012	To reclassify non-federal reimbursable costs, bridges match
<b>Worksheet 5</b>				
Line 15. Direct Services (L) Community Residential	\$ 5,997	\$ 404	\$ 6,401	To allocate additional athletic costs
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 9,364	\$ (4,110)	\$ 5,254	To allocate additional MUI costs
<b>Worksheet 7-B</b>				
Line 18. Nursing Services (L) Community Residential	\$ 3,429	\$ 8,818	\$ 12,247	To allocate QARN costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 31,942	\$ 5,386	\$ 37,328	To properly allocate QA costs
<b>Worksheet 10</b>				
Line 27. Direct Services (O) Non-federal Reimbursable	\$ 33,779	\$ (1,250)		To reclassify non-federal reimbursable costs of advertising
		\$ (13,750)		To reclassify non-federal reimbursable costs of advertising
		\$ (18,779)	\$ -	To reclassify non-federal reimbursable costs, bridges match
<b>Morrow County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-federal Reimbursable	*			To reclassify county board non-federal reimbursable videos
	\$ 1,233	\$ 1,008	\$ 2,241	
<b>Worksheet 5</b>				
Line 15. Direct Services (L) Community Residential	\$ 40,525	\$ 833		To reclassify training costs
		\$ 359		To allocate additional athletic costs
		\$ 9,333	\$ 51,050	To reclassify training costs
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 1,932	\$ 3,322	\$ 5,254	To allocate additional MUI costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 22,032	\$ 3,715	\$ 25,747	To properly allocate QA costs

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Clearwater Council of Governments  
2013 Income and Expenditure Report and County Summary Workbook Adjustments

Cost Report Location	Reported Amount	Correction	Corrected Amount	Explanation of Correction
<b>Ottawa County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-federal Reimbursable	*			
	\$ 2,240	\$ 937	\$ 3,177	To reclassify county board non-federal reimbursable videos
<b>Worksheet 5</b>				
Line 15. Direct Services (L) Community Residential	\$ 67,131	\$ 271		To reclassify payments on consumers' behalf
		\$ 2,005		To reclassify payments on consumers' behalf
		\$ 404	\$ 69,811	To allocate additional athletic costs
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 4,889	\$ 4,661	\$ 9,550	To allocate additional MUI costs
<b>Worksheet 7-B</b>				
Line 18. Nursing Services (L) Community Residential	\$ 3,429	\$ (143)	\$ 3,286	To allocate QARN costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 20,655	\$ 3,483	\$ 24,138	To properly allocate QA costs
<b>Worksheet 10</b>				
Line 27. Direct Services (O) Non-federal Reimbursable	\$ 2,276	\$ (271)		To reclassify payments on consumers' behalf
		\$ (2,005)	-	To reclassify payments on consumers' behalf
<b>Seneca County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-federal Reimbursable	*\$ -	\$ 11,268		To reclassify non-federal reimbursable costs Bridges match
		\$ 992	\$ 12,260	To reclassify county board non-federal reimbursable videos
<b>Worksheet 5</b>				
Line 15. Direct Services (L) Community Residential	\$ 36,975	\$ 404	\$ 37,379	To allocate additional athletic costs
<b>Worksheet 7-B</b>				
Line 18. Nursing Services (L) Community Residential	\$ 3,429	\$ (1,637)	\$ 1,792	To allocate QARN costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 8,700	\$ 1,467	\$ 10,167	To properly allocate QA costs
<b>Worksheet 10</b>				
Line 27. Direct Services (O) Non-federal Reimbursable	\$ 11,268	\$ (11,268)	-	To reclassify non-federal reimbursable costs Bridges match
<b>Wyandot County</b>				
<b>Worksheet 2</b>				
Line 10. Indirect Costs (O) Non-federal Reimbursable	*\$ 27,470	\$ 16,901		To reclassify non-federal reimbursable costs Bridges match
		\$ 1,009	\$ 45,380	To reclassify county board non-federal reimbursable videos
<b>Worksheet 5</b>				
Line 15. Direct Costs (L) Community Residential	\$ 117,488	\$ (41,821)		To remove payments to DC
		\$ 833		To reclassify training costs
		\$ 9,333		To reclassify training costs
		\$ 1,850		To reclassify behavior support costs
		\$ 404	\$ 88,087	To allocate additional athletic costs
Line 15. Direct Services (O) Non-Federal Reimbursable	\$ 1,725	\$ 3,529	\$ 5,254	To allocate additional MUI costs
<b>Worksheet 9</b>				
Line 26. Service & Support Adm (N) Service & Support Admin	\$ 8,867	\$ 1,495	\$ 10,362	To properly allocate QA costs
<b>Worksheet 10</b>				
Line 27. Direct Services (O) Non-federal Reimbursable	\$ 18,751	\$ (16,901)		To reclassify non-federal reimbursable costs Bridges match
		\$ (1,850)	-	To reclassify behavioral support costs

\* Original Cost Report balances have been adjusted to reflect allocations as a result of the above adjustments to *Worksheet 2* of the COG's Cost Report. Other county summary workbooks have been affected by this same allocation; however, those adjustments are not shown here due to this being a function of how costs flow down from *Schedule B* of the COG's Cost Report.

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# Dave Yost • Auditor of State

**CLEARWATER COUNCIL OF GOVERNMENTS**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 12, 2015**