

**OHIO ASSOCIATION OF FOODBANKS**

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

# OHIO ASSOCIATION OF FOODBANKS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Ohio Association of Foodbanks  
Columbus, Ohio

### Report on the Financial Statements

We have audited the accompanying statements of Ohio Association of Foodbanks (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness



**INDEPENDENT AUDITORS' REPORT  
(Continued)**

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Association of Foodbanks as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013 on our consideration of Ohio Association of Foodbanks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ohio Association of Foodbanks' internal control over financial reporting and compliance.

Columbus, Ohio  
October 24, 2013

A handwritten signature in blue ink that reads "Hemphill &amp; Associates".

**OHIO ASSOCIATION OF FOODBANKS**

**Statements of Financial Position**

**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 715,314	\$ 1,398,757
Accounts Receivable	656,595	416,869
Deposits	20,132	20,132
Employee Advances	2,311	2,759
Prepaid Expense	91	18,007
Total Current Assets	<u>1,394,443</u>	<u>1,856,524</u>
<b>Equipment/Leasehold Improvements</b>	352,739	352,739
<b>Less: Accumulated Depreciation</b>	<u>(301,355)</u>	<u>(222,270)</u>
<b>TOTAL ASSETS</b>	<u><u>\$1,445,827</u></u>	<u><u>\$ 1,986,993</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 152,731	\$ 404,275
Accrued Wages and Payroll Taxes	41,710	44,519
Deferred Revenue	-	235,146
Refundable Advances	-	1,539
Capital Lease Obligations - Current Portion (Note 3)	11,142	8,709
Total Current Liabilities	<u>205,583</u>	<u>694,188</u>
<b>Long-Term Liabilities</b>		
Capital Lease Obligations - Long-Term Portion (Note 3)	8,894	20,342
Notes Payable (Note 6)	-	125,000
Total Long-Term Liabilities	<u>8,894</u>	<u>145,342</u>
<b>TOTAL LIABILITIES</b>	<u>214,477</u>	<u>839,530</u>
<b>NET ASSETS</b>		
Total Unrestricted		
Designated by Board	492,000	492,000
Undesignated	739,350	655,463
Total Temporarily Restricted	-	-
<b>TOTAL NET ASSETS</b>	<u>1,231,350</u>	<u>1,147,463</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$1,445,827</u></u>	<u><u>\$ 1,986,993</u></u>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**

**Statement of Activities**

**For the Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
<b>Public Support</b>			
Governmental Revenue	\$ 20,388,777	\$ -	\$ 20,388,777
Foundation Revenue	-	630,832	630,832
Membership Dues	145,720	-	145,720
Donations	138,011	-	138,011
	<u>20,672,508</u>	<u>630,832</u>	<u>21,303,340</u>
<b>Other Revenue</b>			
Interest Income	2,130	-	2,130
Other	230,103	-	230,103
Released from Restrictions	630,832	(630,832)	-
	<u>863,065</u>	<u>(630,832)</u>	<u>232,233</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>21,535,573</u>	<u>-</u>	<u>21,535,573</u>
 <b>EXPENSES</b>			
<b>Program Expenses</b>			
Ohio Food Program (Note 4)	14,463,891	-	14,463,891
Ohio Benefit Bank	4,141,366	-	4,141,366
National Service	1,749,394	-	1,749,394
<b>Total Program Expenses</b>	<u>20,354,651</u>	<u>-</u>	<u>20,354,651</u>
General and Management	1,097,035	-	1,097,035
<b>TOTAL EXPENSES</b>	<u>21,451,686</u>	<u>-</u>	<u>21,451,686</u>
 Change in Net Assets	83,887	-	83,887
 Net Assets at Beginning of Year	<u>1,147,463</u>	<u>-</u>	<u>1,147,463</u>
 Net Assets at End of Year	<u>\$ 1,231,350</u>	<u>\$ -</u>	<u>\$ 1,231,350</u>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**

**Statement of Activities**

**For the Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
<b>Public Support</b>			
Governmental Revenue	\$ 20,432,946	\$ -	\$ 20,432,946
Foundation Revenue	-	970,569	970,569
Membership Dues	133,720	-	133,720
Donations	123,205	-	123,205
	<u>20,689,871</u>	<u>970,569</u>	<u>21,660,440</u>
<b>Other Revenue</b>			
Interest Income	6,649	-	6,649
Other	151,769	-	151,769
Released from Restrictions	970,569	(970,569)	-
	<u>1,128,987</u>	<u>(970,569)</u>	<u>158,418</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>21,818,858</u>	<u>-</u>	<u>21,818,858</u>
 <b>EXPENSES</b>			
<b>Program Expenses</b>			
Ohio Food Program (Note 4)	14,584,308	-	14,584,308
Ohio Benefit Bank	4,053,034	-	4,053,034
National Service	1,817,668	-	1,817,668
<b>Total Program Expenses</b>	<u>20,455,010</u>	<u>-</u>	<u>20,455,010</u>
General and Management	1,272,593	-	1,272,593
<b>TOTAL EXPENSES</b>	<u>21,727,603</u>	<u>-</u>	<u>21,727,603</u>
 Change in Net Assets	91,255	-	91,255
 Net Assets at Beginning of Year	<u>1,056,208</u>	<u>-</u>	<u>1,056,208</u>
 Net Assets at End of Year	<u>\$ 1,147,463</u>	<u>\$ -</u>	<u>\$ 1,147,463</u>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2013**

	<b>Ohio Food Program</b>	<b>Ohio Benefit Bank</b>	<b>National Service</b>	<b>Subtotal Programs</b>	<b>General &amp; Management</b>	<b>Total</b>
Salaries & Wages	\$ -	\$ 739,107	\$ 148,395	\$ 887,502	\$ 562,807	\$ 1,450,309
Fringe Benefits	-	266,523	71,124	337,647	93,237	430,884
Payroll Taxes	-	61,972	53,917	115,889	44,625	160,514
VISTA/AmeriCorps Living Allowance & Stipends	-	397	1,306,132	1,306,529	-	1,306,529
Professional Services	-	47,271	31,976	79,247	125,437	204,684
Meeting Expenses	-	105,661	26,536	132,197	39,551	171,748
Office Supplies	-	16,209	2,266	18,475	15,652	34,127
Printing	-	51,086	3,994	55,080	20,313	75,393
Publications	-	425	-	425	7,894	8,319
Postage	-	10,679	453	11,132	1,166	12,298
Rent / Utilities	-	87,748	5,501	93,249	39,057	132,306
Telephone	-	38,521	4,576	43,097	14,039	57,136
Insurance	-	6,464	880	7,344	3,349	10,693
Travel	-	58,745	79,467	138,212	35,148	173,360
Technology Purchases	-	23,479	9,381	32,860	29,683	62,543
Depreciation Expense	-	27,761	-	27,761	51,324	79,085
Interest Expense	-	-	-	-	2,421	2,421
Advertising	-	42,275	-	42,275	3,047	45,322
Miscellaneous Expense	-	4	4,296	4,300	8,285	12,585
Ohio Food Program (Note 4)	14,463,891	-	-	14,463,891	-	14,463,891
Ohio Benefit Bank Software Support/Development	-	1,797,000	-	1,797,000	-	1,797,000
Grants to Foodbanks	-	510,039	-	510,039	-	510,039
Grants to Agencies	-	250,000	500	250,500	-	250,500
<b>Total</b>	<b>\$ 14,463,891</b>	<b>\$ 4,141,366</b>	<b>\$ 1,749,394</b>	<b>\$ 20,354,651</b>	<b>\$ 1,097,035</b>	<b>\$ 21,451,686</b>

See Accompanying Notes to Financial Statements



**OHIO ASSOCIATION OF FOODBANKS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2012**

	<b>Ohio Food Program</b>	<b>Ohio Benefit Bank</b>	<b>National Service</b>	<b>Subtotal Programs</b>	<b>General &amp; Management</b>	<b>Total</b>
Salaries & Wages	\$ -	\$ 735,391	\$ 138,013	\$ 873,404	\$ 622,543	\$ 1,495,947
Fringe Benefits	-	228,883	38,783	267,666	108,230	375,896
Payroll Taxes	-	66,473	12,596	79,069	51,331	130,400
VISTA/AmeriCorps Living Allowance & Stipends	-	-	1,404,533	1,404,533	-	1,404,533
Professional Services	-	59,140	1,345	60,485	149,345	209,830
Meeting Expenses	-	110,892	26,748	137,640	33,156	170,796
Office Supplies	-	11,114	2,683	13,797	7,065	20,862
Printing	-	75,395	5,399	80,794	11,990	92,784
Publications	-	-	-	-	8,289	8,289
Postage	-	13,103	882	13,985	1,636	15,621
Rent / Utilities	-	98,594	8,638	107,232	33,156	140,388
Telephone	-	42,497	7,904	50,401	22,486	72,887
Insurance	-	6,513	530	7,043	2,101	9,144
Travel	-	58,045	127,541	185,586	23,353	208,939
Technology Purchases	-	30,880	15,028	45,908	35,593	81,501
Depreciation Expense	-	32,460	-	32,460	51,813	84,273
Interest Expense	-	-	-	-	3,774	3,774
Advertising	-	27,686	-	27,686	100,256	127,942
Miscellaneous Expense	-	23,360	26,545	49,905	6,476	56,381
Ohio Food Program (Note 4)	14,584,308	-	-	14,584,308	-	14,584,308
Ohio Benefit Bank Software Support/Development	-	1,780,000	-	1,780,000	-	1,780,000
Grants to Foodbanks	-	278,734	-	278,734	-	278,734
Grants to Agencies	-	373,874	500	374,374	-	374,374
<b>Total</b>	<b>\$ 14,584,308</b>	<b>\$ 4,053,034</b>	<b>\$ 1,817,668</b>	<b>\$ 20,455,010</b>	<b>\$ 1,272,593</b>	<b>\$ 21,727,603</b>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 83,887	\$ 91,255
<b>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities</b>		
Depreciation Expense	79,085	84,273
Change in Assets:		
Increase in Accounts Receivable	(239,726)	(158,749)
Decrease (Increase) in Employee Advances	448	(1,190)
Decrease (Increase) in Prepaid Expense	17,916	(5,192)
Change in Liabilities:		
Decrease in Accounts Payable	(251,544)	(76,421)
Decrease in Accrued Wages and Payroll Taxes	(2,809)	(103,403)
Decrease in Deferred Revenue	(235,146)	(18,887)
Decrease in Refundable Advances	(1,539)	(9,989)
<b>Net Cash Used in Operating Activities</b>	<b>(549,428)</b>	<b>(198,303)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Capital Lease Obligations	(9,015)	(8,709)
Payments on Notes Payable	(125,000)	(160,000)
<b>Net Cash Used in Financing Activities</b>	<b>(134,015)</b>	<b>(168,709)</b>
Net Decrease in Cash and Cash Equivalents	(683,443)	(367,012)
Cash and Cash Equivalents at Beginning of Year	1,398,757	1,765,769
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 715,314</b>	<b>\$ 1,398,757</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for Interest	\$ 2,421	\$ 3,774

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2013 and 2012**

<b>Note 1 - Background</b>
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**Organization**

The mission of the Ohio Association of Foodbanks (“the Association”) is to assist Feeding America foodbanks in Ohio in providing food and other resources to people in need and to pursue areas of common interest for the benefit of people in need.

In fiscal year 2012, the Ohio Association of Second Harvest Foodbanks changed the name of the Association to the Ohio Association of Foodbanks.

<b>Note 2 - Summary of Significant Accounting Policies</b>
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**Basis of Accounting**

The accompanying financial statements of the Association have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The accompanying financial statements have been presented in accordance with generally accepted accounting principles. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Unrestricted net assets are free of donor-imposed restrictions and are available for use in the Association’s ongoing operations.

**Temporarily Restricted Net Assets** – Temporarily restricted net assets are limited as to use by donor-imposed restrictions that either expire by passage of time or that can be fulfilled or removed by actions of the Association. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There were no temporarily restricted net assets as of June 30, 2013 and 2012.

**Permanently Restricted Net Assets** – Permanently restricted net assets are subject to donor-imposed restrictions which do not expire. Generally, the providers of these funds restrict the Association to maintain the principal in perpetuity and invest for the purposes of producing present and future income that may be expended by the Association. There were no permanently restricted net assets as of June 30, 2013 and 2012.

**Board Designated Net Assets**

The Board of Directors of the Association have designated net assets to be used as a reserve for general operating expenses in the event of a major loss of funding. Total board designated net assets as of both June 30, 2013 and 2012 were \$492,000.

**OHIO ASSOCIATION OF FOODBANKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2013 and 2012**

<b>Note 2 - Summary of Significant Accounting Policies (Continued)</b>
--

**Tax Exempt Status**

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954. It has been classified as an organization that is not a private foundation under Section 509(a)(3) of the Internal Revenue Code and qualifies as a tax-deductible charitable contribution for individual donors. The Association is also exempt from property tax and state income taxes.

**Cash & Cash Equivalents**

For purposes of the statements of cash flows, the Association considers bank accounts, petty cash and certificates of deposit purchased with a maturity of one year or less to be cash and cash equivalents. Interest income on the certificates of deposit is recorded as income when earned.

**Accounts Receivable**

Accounts receivable are stated at unpaid balances. It is the Association's policy to charge off uncollectible accounts when management determines the receivable will not be collected. As of June 30, 2013 and 2012, the accounts receivable balance primarily consisted of funds due from the state of Ohio.

**Expense Allocation**

The costs of providing various programs and other activities and services have been summarized on a functional basis in the Association's statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the projects and activities based upon benefits received.

**Funding**

The Association received state and federal funding of \$20.39 million for the year ended June 30, 2013 and \$20.4 million for the year ended June 30, 2012.

**Equipment**

Equipment is recorded at cost, less accumulated depreciation. Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the assets. The Association follows the policy of capitalizing all expenditures for purchased assets of \$3,000 or greater. Expenditures of equipment which increase the values or extend useful lives are capitalized. Routine maintenance and repairs, which do not improve or extend the useful lives of the respective assets, are charged to expenses as incurred. The carrying amounts of assets sold, retired, or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts in the year of disposal. Any resulting gains or losses from the disposals are included in the statements of activities. Depreciation expense for the years ended June 30, 2013 and 2012 was \$79,085 and \$84,273, respectively.

**OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2013 and 2012**

<b>Note 2 - Summary of Significant Accounting Policies (Continued)</b>
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**Ohio Food Program and Agricultural Clearance Program**

In 2012, the Association received a \$12.5 million grant from the Ohio Department of Job and Family Services. The grant was to be used for three purposes: 1) The Ohio Food Program (OFP), \$5,953,473 to purchase food products, storage and distribution for local food distribution agencies; 2) The Agricultural Clearance Program (ACP), \$5,921,527 to strengthen the emergency food distribution system; and 3) Administration, \$625,000.

The ACP could accomplish its goal by developing alliances with growers and processors to help defray direct costs of providing surplus agricultural commodities and purchasing shelf-stable products; identifying and supporting innovative programs for emerging needs; and providing training and technical assistance to emergency food providers.

Revenue from the Department of Job and Family Services for the Ohio Food and Agriculture Clearance program amounted to 58.11% of the Association's total revenue.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

**Fair Value of Financial Instruments**

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

**Cash and Cash Equivalents and Prepaid Expenses** – The carrying amount reported in the statements of financial position approximates fair value due to their short-term nature.

**Accounts Receivable** – The carrying amount reported in the statements of financial position approximates fair value due to the short-term nature of the receivables.

**Accounts Payable and Accrued Wages** – The carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

**Notes Payable and Capital Lease Obligations** – The carrying amount reported in the statements of financial position approximates fair value because the Association can obtain similar loans at the same terms.

**OHIO ASSOCIATION OF FOODBANKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2013 and 2012**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Deferred Revenue**

Deferred revenue of the Association represents amounts received on grant agreements in advance, which have not been earned at the end of the year. As of June 30, 2013 and 2012, deferred revenue for the Association was \$0 and \$235,146, respectively.

**Subsequent Events**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 24, 2013, the date on which the financial statements were available to be issued.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation.

**Note 3 - Capital Leases**

The Association leases three copiers with a combined capitalized cost of \$60,228. The first copier was leased in September 2007 with a cost of \$27,000. In January 2010, the Association entered into a second lease for a copier with a cost of \$20,993. These two leases were consolidated during fiscal year 2011. These leases cover a 60-month period with monthly payments of \$791 at an imputed interest rate of 10.07%.

In October 2010, the Association entered into a third lease with a cost of \$12,235. This copier lease is for a 60-month period with monthly payments of \$204 at an imputed interest rate of 10.90%.

Accumulated depreciation in the statements of financial position included \$59,208 and \$51,631 relating to these leased copiers for the years ended June 30, 2013 and 2012, respectively. Depreciation expense reported in the statements of activities included \$7,577 and \$11,076 relating to these leased copiers for the years ended June 30, 2013 and 2012, respectively.

**OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2013 and 2012**

<b>Note 3 - Capital Leases (Continued)</b>
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The future minimum lease payments due under these capital leases are as follows:

<b>For the year ended June 30,</b>	<b>Amount</b>
2014	\$ 11,142
2015	8,163
2016	731
Total	20,036
<b>Less: Current Portion</b>	<b>(11,142)</b>
<b>Long-Term Portion</b>	<b>\$ 8,894</b>

<b>Note 4 - Ohio Food &amp; Agriculture Clearance Program, TANF Executive Order (TANF E.O.), and Governor's Backpack Program</b>
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The Ohio Food Program is included as an expenditure line item on the statements of functional expenses and consisted of the following types of expenses for the year ended June 30:

<b>Shelf Stable and Protein</b>	<b>2013</b>	<b>2012</b>
Food Purchases for Foodbanks	\$ 5,351,335	\$ 5,268,242
Storage and Distribution of Food Purchases	589,795	625,000
Transportation and Delivery Charge	16,600	60,231
Processing Fees	-	-
<b>Total</b>	<b>\$ 5,957,730</b>	<b>\$ 5,953,473</b>
<b>Agricultural Surplus</b>	<b>2013</b>	<b>2012</b>
Purchase of Commodities for Consumption	\$ 5,474,834	\$ 5,443,205
Purchase of Commodities TANF E.O.	934,265	1,900,000
Storage and Distribution of Commodities	660,205	625,000
Transportation Costs	35,874	44,824
Joint Farm Project	13,683	25,696
Processing Fees	35,404	30,913
<b>Total</b>	<b>\$ 7,154,265</b>	<b>8,069,638</b>
<b>TANF/Innovative Backpack Programs</b>		
Purchase of Food and Transportation	\$ 1,351,896	\$ 561,197
<b>Total Food Program</b>	<b>\$14,463,891</b>	<b>\$14,584,308</b>

**OHIO ASSOCIATION OF FOODBANKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2013 and 2012**

**Note 5 - Operating Leases**

The Association leases office space. Rent expense for the year ended June 30, 2013 and 2012 totaled \$132,306 and \$140,388, respectively.

The future minimum rental payments due under this rental agreement are as follows:

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 88,653
2015	91,455
2016	7,642
Total	<u>\$ 187,750</u>

**Note 6 - Notes Payable**

The notes payable balance represents a \$500,000, 0% interest loan received from the Kresge Foundation in October 2009. The maturity date on this note is December 31, 2012. The purpose of this loan was to provide support for the operating costs of the Association. Periodic payments were required by this note and payments issued during fiscal year 2013 amounted to \$125,000, resulting in a balance due of \$0 as of June 30, 2013.

**Note 7 - Concentration of Credit Risk**

The Association's funds contained in its cash and cash equivalent balances at June 30, 2013 are held in a total of four different financial institutions and for June 30, 2012 they were held in a total of four different financial institutions. These institutions provide insurance coverage up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC). At June 30, 2013, the cash on deposit at Key Bank and Huntington National Bank exceeded this \$250,000 limit by \$9,326 and \$1,074,631, respectively. Also at risk at June 30, 2013 was the UBS Investment cash of \$526,407. At June 30, 2012, the Association had \$398,165 of cash on deposit at Key Bank and Huntington National Bank above the \$250,000 limit and the UBS Investment cash of \$200,574 was at risk.



**OHIO ASSOCIATION OF FOODBANKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2013 and 2012**

<b>Note 8 - Contingency</b>
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The grant programs of the Association are subject to potential audits by agents of each individual granting authority. The purpose of such an audit is to ensure compliance with conditions precedent to the granting of funds. Revenues generated by the grant programs may be disallowed in subsequent periods as a result of these audits. However, management believes that the Association has materially complied with all grant agreements as of the years ended June 30, 2013 and 2012.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Ohio Association of Foodbanks  
Columbus, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Association of Foodbanks (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ohio Association of Foodbanks' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ohio Association of Foodbanks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)**

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ohio Association of Foodbanks' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Columbus, Ohio  
October 24, 2013

*Hemphill & Associates*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
Ohio Association of Foodbanks  
Columbus, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited Ohio Association of Foodbanks' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ohio Association of Foodbanks' major federal programs for the year ended June 30, 2013. Ohio Association of Foodbanks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ohio Association of Foodbanks' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohio Association of Foodbanks' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Ohio Association of Foodbanks' compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE BY OMB CIRCULAR A-133  
(Continued)**

**Basis for Qualified Opinion on Social Services Block Grant Program**

As described in the accompanying schedule of finding and questioned costs, Ohio Association of Foodbanks did not comply with requirements regarding CFDA 93.667 Social Services Block Grant as described in finding number 2013-1 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Ohio Association of Foodbanks to comply with the requirements applicable to that program.

**Qualified Opinion on Social Services Block Grant Program**

In our opinion, except of the noncompliance described in the Basis for Qualified Opinion paragraph, Ohio Association of Foodbanks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Social Services Block Grant program for the year ended June 30, 2013.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Ohio Association of Foodbanks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of Ohio Association of Foodbanks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ohio Association of Foodbanks' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Continued)**

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ohio Association of Foodbanks' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Ohio Association of Foodbanks' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ohio Association of Foodbanks' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Continued)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Ohio Association of Foodbanks as of and for the year ended June 30, 2013, and have issued our report thereon dated October 24, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Columbus, Ohio  
October 24, 2013

*Hemphill & Associates*

**Ohio Association of Foodbanks  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Pass-Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>Department of Health and Human Services Pass-Through Programs</b>			
<b>Passed through Ohio Department of Job &amp; Family Service</b>			
Social Services Block Grant (Title XX)	G-1213-17-0257	93.667	\$ 2,102,855
Social Services Block Grant (TANF Transfer to Title XX)	G-1213-17-0257	93.667	6,887,852
Total Social Services Block Grant			<u>8,990,707</u>
Temporary Assistance for Needy Families (TANF)	G-1213-06-5149	93.558	534,925
Total Temporary Assistance for Needy Families			<u>534,925</u>
Total Passed through Ohio Department of Job & Family Service			<u>9,525,632</u>
<b>Passed through Ohio Department of Development</b>			
Low-Income Home Energy Assistance (HEAP)	13-HA-157	93.568	55,196
Total Low-Income Home Energy Assistance (HEAP)			<u>55,196</u>
Total Passed through Ohio Department of Development			<u>55,196</u>
<b>Passed through Governor's Office of Faith-Based &amp; Community Initiatives</b>			
Temporary Assistance For Needy Families (TANF)	G-1213-21-0782	93.558	412,758
Temporary Assistance For Needy Families (TANF)	G-1213-21-0749	93.558	968,350
Total Temporary Assistance for Needy Families			<u>1,381,108</u>
Total Passed through Governor's Office of Faith-Based & Community Initiatives			<u>1,381,108</u>
Total Department of Health and Human Services			<u>10,961,936</u>
<b>Corporation for National &amp; Community Service Direct Program</b>			
<b>Direct Program</b>			
Volunteers in Service to America	N/A	94.013	996,720
Total Direct Program			<u>996,720</u>
<b>Corporation for National &amp; Community Service Pass-Through Program</b>			
<b>Passed through Ohio Commission on Service and Volunteerism</b>			
AmeriCorps	09ACH-1502-12-OC097	94.006	71,248
AmeriCorps	12ACH-1502-13-OC097	94.006	273,311
Total AmeriCorps			<u>344,559</u>
Total Passed through Ohio Commission on Service and Volunteerism			<u>344,559</u>
Total Corporation for National & Community Service			<u>1,341,279</u>
<b>United States Department Agriculture Pass-Through Programs</b>			
<b>Passed through Ohio Department of Job &amp; Family Service</b>			
Supplemental Nutrition Assistance Program, Outreach/Participation Program	G-1213-06-5148	10.580	1,079,233
Total Supplemental Nutrition Assistance Program, Outreach/Participation Program			<u>1,079,233</u>
Total Passed through Ohio Department of Job & Family Service			<u>1,079,233</u>
Total United States Department of Agriculture			<u>1,079,233</u>
<b>Total Other Programs</b>			<u>13,382,448</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 13,382,448</u>



**OHIO ASSOCIATION OF FOODBANKS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Ohio Association of Foodbanks under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**OHIO ASSOCIATION OF FOODBANKS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Section I — Summary of Auditors' Results</b>
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***Financial Statements***

Type of auditor's report issued:	<b>Unmodified</b>	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	<u>  X  </u> no
• Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no

***Federal Awards***

Internal control over major programs:		
• Material weakness(es) identified?	<u>  X  </u> yes	_____ no
• Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Type of auditor's report issued on compliance for major programs:	<b>Modified</b>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ yes	<u>  X  </u> no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.667 93.558	Social Services Block Grant (Title XX) Temporary Assistance For Needy Families (TANF)

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
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Auditee qualified as low-risk auditee?	_____ yes	<u>  X  </u> no
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**OHIO ASSOCIATION OF FOODBANKS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

<b>Section II — Financial Statement Findings</b>
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None

<b>Section III — Federal Award Findings and Questioned Costs</b>
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**Finding 2013-1: Eligibility**

**Condition:** Per the Ohio Association of Foodbanks regional agent contract for SFY 2013 regarding the Ohio Food Purchase and Agricultural Clearance Program, it states at the “Eligibility” Section:

“In general, individuals are qualified to participate in the Food Purchase and Agricultural Clearance Programs if their household income is below 200% of the current federal poverty level. Qualifying annual, monthly and weekly income amounts calculated by number of persons in a household are updated annually by ODJFS upon publication of the federal poverty guidelines....

In addition, program standards require that certain information be provided or verified by individuals each time he or she obtains food at local distributors (LD) and regional agent (RA) Foodbanks. The information must be initially obtained by having the individual sign the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Food (Eligibility Form)**....”

H&A tested six Foodbanks. From there we tested a total of forty-eight pantries (from September 2012 and May 2013). We then randomly selected 202 individuals who received food commodities under the Ohio Food Purchase and Agricultural Clearance Program to review the eligibility forms. Based upon this review we noted the following:

- Instances where the forms were forms were unable to be produced September 2012  
**Akron-Canton Regional Foodbank**  
Second Baptist Church
- Instances where the incorrect form was being used for FY 2013  
**Akron-Canton Regional Foodbank**  
Bread of Life  
**Freestore Foodbank**  
New Life Temple  
Zion United Church of Christ  
Interfaith House  
**Mid-Ohio Foodbank**  
Flushing Ministerial Association Pantry  
**Second Harvest Food Bank of the Mahoning Valley**  
Hartford Community Church

**OHIO ASSOCIATION OF FOODBANKS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

- Instances where individuals signed a sheet of paper instead of form for FY 2013  
**Second Harvest Food Bank of Clark, Champaign & Logan**  
New Hope Church Mission

**Criteria:** Eligibility records per the regional agent contract of the Ohio Food Purchase and Agricultural Clearance Program are required to be completed and the correct form utilized.

**Cause:** Lack of compliance with contract.

**Effect:** Due to the fact that the current eligibility to take home food forms are not always being utilized to support the clients' eligibility, there is a possibility that individuals receiving food under the Food Purchase and Agricultural Clearance Program were ineligible.

**Recommendation:** This condition has continued to be a problem under this program since F/Y 2006. For some time the Association assigned three internal staff to perform compliance reviews of the twelve Foodbanks. During our testing we noted that although the magnitude of this problem continues to decrease, the same issues continued to exist.

We recommend that the foodbanks more closely monitor (periodic reviews, site visits, and agency audits) the agencies providing food under the Ohio Food Purchase and Agricultural Clearance Program to make sure they are adhering to the requirements of their contract with Ohio Association of Foodbanks.

**Management Response:** Per the Ohio Association of Foodbanks, Regional Agent contract for FY 2014-2015, Foodbanks are required to meet all the terms and conditions of this contract and ensure compliance with the Ohio Department of Job and Family Services Ohio Food Programs Manual by their member food pantries. In addition, food pantries and member charities are required to attend annual mandatory trainings at least once per year that are held by their corresponding Foodbank. If an agency representative fails to attend the scheduled mandatory training, the Foodbank reserves the right to place the agency on product hold, meaning the agency is prohibited from receiving food or donated product from the Foodbank until compliance is met.

In addition, food pantries are required annually to read and sign an affidavit which states they have read and agree to comply with the terms and conditions on the Ohio Department of Job and Family Services Ohio Food Programs Manual.

The Ohio Association of Foodbanks will work with member Foodbanks to increase reviews, monitoring and oversight of the agencies that failed to properly complete the **Ohio Department of Job and Family Services (ODJFS) Federal and State Food Programs Eligibility to Take Food Home Groceries Form.**

Despite these compliance efforts, there are real world limitations for the largely elderly volunteers responsible for operating the more than 1,695 food pantries in the state, which last

**OHIO ASSOCIATION OF FOODBANKS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(Continued)

year processed 3,274,403 **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries Forms.**

Eight Foodbanks are in various stages of testing, piloting and implementing web-based eligibility systems that fully automates the intake, tracking and completion of the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries Form.** These web-based systems known as Pantry Trak and Virtual Case Manager (VCM) has permitted these foodbanks and their participating food pantries to replace their manual paper based system to a fully paperless eligibility, tracking, forms completion and reporting system. During the course of this audit, H&A tested agencies operating Pantry Trak and found no findings.

It is the intent of the Ohio Association of Foodbanks and its member foodbanks to convert all food pantries to one of these two web-based systems by 2016. Once fully implemented, these issues regarding compliance will be resolved.

Until all food pantries are converted, the following review procedures will remain in effect to verify compliance under A-133 and with the terms of our grant with ODJFS and the contract in place with the Foodbanks. This review is to verify the accuracy of documentation supporting the eligibility determination compliance data reported to the Ohio Association of Foodbanks and subsequently to ODJFS.

The Association will conduct the following procedures to ensure compliance with the Contract. The procedures are as follows:

- 1) Determine Overall Sample Size based on a statistical model utilizing the number of households (Duplicated Count) served in the prior Fiscal Year.
- 2) Divide number of agencies reported in prior year by one fifth sample size.
- 3) Multiply number of member agencies reported in the prior year by each Foodbank by resulting fraction.
- 4) Select required number of member agencies determined per territory from a list provided to the Ohio Association of Foodbanks of all agencies served in the prior year by each Foodbank.
- 5) Two random months will be chosen for each selected member agency and the agency will be requested to provide a list of clients served in the selected month.
- 6) Five clients will be selected for compliance review.
- 7) The agency will be requested to provide the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries forms** for each selected client.
- 8) If the review of the provided documentation is in order no further action is necessary.
- 9) Should a discrepancy (improper form or incomplete form) be discovered during the review, twice the number of forms found to be in error will be selected from that agency, if no further discrepancies are noted, no further action will be required.
- 10) If additional discrepancies are noted this procedure will be repeated until the cause of the discrepancy is determined.
- 11) If two or more discrepancies are noted within one agency, another agency will be selected and the entire procedure will be repeated.
- 12) A report of the results of the review of the selected member agencies will be prepared within

**OHIO ASSOCIATION OF FOODBANKS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(Continued)

15 days of the completion of the review. This review will be presented to the Executive Director of the appropriate Foodbank.

13) If discrepancies are noted during review of the Member agencies documentation a report detailing the discrepancies noted will be provided to the appropriate Executive Director. The Executive Director is required to provide a plan of corrective action to address the deficiencies identified within 15 working days.

**OHIO ASSOCIATION OF SECOND HARVEST FOODBANKS  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Finding 2012-1: Eligibility**

**Condition:** Per the Ohio Association of Foodbanks regional agent contract for SFY 2012 regarding the Ohio Food Purchase and Agricultural Clearance Program, it states at the “Eligibility” Section:

“In general, individuals are qualified to participate in the Food Purchase and Agricultural Clearance Programs if their household income is below 200% of the current federal poverty level. Qualifying annual, monthly and weekly income amounts calculated by number of persons in a household are updated annually by ODJFS upon publication of the federal poverty guidelines....

In addition, program standards require that certain information be provided or verified by individuals each time he or she obtains food at local distributors (LD) and regional agent (RA) Foodbanks. The information must be initially obtained by having the individual sign the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Food (Eligibility Form)**....”

H&A tested five Foodbanks. From there we tested a total of forty-four pantries (from October 2011 and March 2012). We then randomly selected 364 individuals who received food commodities under the Ohio Food Purchase and Agricultural Clearance Program to review the eligibility forms. Based upon this review we noted the following:

- Instances where the forms were not signed  
**Mid-Ohio Foodbank**  
YWCA Wings
- Instances where the incorrect form was being used for FY 2012  
**Akron-Canton Regional Foodbank**  
UrbanArk, Inc.  
**Toledo Northwestern Ohio Food Bank**  
Swanton Alliance Church  
Christian Community Church Free 4 All Ministry  
Northwest Grand Lodge  
St. John Lutheran Church

**Criteria:** Eligibility records per the regional agent contract of the Ohio Food Purchase and Agricultural Clearance Program are required to be completed and the correct form utilized.

**Cause:** Lack of compliance with contract.

**Effect:** Due to the fact that the current eligibility to take home food forms are not always being utilized to support the clients’ eligibility, there is a possibility that individuals receiving food under the Food Purchase and Agricultural Clearance Program were ineligible.

**OHIO ASSOCIATION OF SECOND HARVEST FOODBANKS  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**Recommendation:** This condition has continued to be a problem under this program since F/Y 2006. For some time the Association assigned three internal staff to perform compliance reviews of the twelve Foodbanks. During our testing we noted that although the magnitude of this problem continues to decrease, the same issues continued to exist.

We recommend that the foodbanks more closely monitor (periodic reviews, site visits, and agency audits) the agencies providing food under the Ohio Food Purchase and Agricultural Clearance Program to make sure they are adhering to the requirements of their contract with Ohio Association of Foodbanks.

**Management Response:**

Per the Ohio Association of Foodbanks, Regional Agent contract for FY 2012 -2013, Foodbanks are required to meet all the terms and conditions of this contract and ensure compliance with the Ohio Department of Job and Family Services Ohio Food Programs Manual by their member food pantries. In addition, food pantries and member charities are required to attend mandatory trainings at least once per year that are held by their corresponding Foodbank. If an agency representative fails to attend the scheduled mandatory training, the Foodbank reserves the right to place the agency on product hold, meaning the agency is prohibited from receiving food or donated product from the Foodbanks until training has been completed.

In addition, food pantries are required annually to read and sign an affidavit which states they have read and agree to comply with the terms and conditions on the Ohio Department of Job and Family Services Ohio Food Programs Manual.

OASHF will work with member Foodbanks to increase reviews, monitoring and oversight of the agencies that failed to properly complete the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries form**.

Despite these compliance efforts, there are real world limitations for the largely elderly volunteers responsible for operating the more than 1,640 food pantries in the state, which last year manually processed 3,132,284 **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries forms**.

Five Foodbanks are in various stages of implementation of a web based system eligibility system that fully automates the intake, tracking and completion of the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries form**. This website system known as Virtual Case Manager (VCM) has permitted these five foodbanks and their participating food pantries to replace their manual paper based system to a fully paperless eligibility, tracking, forms completion and reporting system. During the course of this audit, H&A tested agencies operating VCM and found no findings. One additional foodbank is in the process of developing and applying to ODJFS for a waiver to implement a similar website system known as Pantry Trac. Once this waiver is approved, this foodbank will offer to the remaining foodbanks and their agencies access to this system free of charge.



**OHIO ASSOCIATION OF SECOND HARVEST FOODBANKS**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(Continued)**

It is the intent of the Association and its member foodbanks to convert all 1,640 food pantries to one of these two web-based systems by 2016. Once fully implemented, these issues regarding compliance will be resolved.

Until all food pantries are converted, the following review procedures will remain in effect to verify compliance under A-133 and with the terms of our grant with ODJFS and the contract in place with the Foodbanks, specifically section 7. This review is to verify the accuracy of documentation supporting the eligibility determination compliance data reported to the Association and subsequently to ODJFS.

The Association will conduct the following procedures to ensure compliance with section 7 of the Contract. The procedures are as follows:

- 1) Determine Overall Sample Size based on a statistical model utilizing the number of households (Duplicated Count) served in the prior Fiscal Year.
- 2) Divide number of agencies reported in prior year by one fifth sample size.
- 3) Multiply number of member agencies reported in the prior year by each Foodbank by resulting fraction.
- 4) Select required number of member agencies determined per territory from a list provided to OASHF of all agencies served in the prior year by each Foodbank.
- 5) Two random months will be chosen for each selected member agency and the agency will be requested to provide a list of clients served in the selected month.
- 6) Five clients will be selected for compliance review.
- 7) The agency will be requested to provide the **ODJFS Federal and State Food Programs Eligibility to Take Food Home Groceries forms** for each selected client.
- 8) If the review of the provided documentation is in order no further action is necessary.
- 9) Should a discrepancy (improper form or incomplete form) be discovered during the review, twice the number of forms found to be in error will be selected from that agency, if no further discrepancies are noted, no further action will be required.
- 10) If additional discrepancies are noted this procedure will be repeated until the cause of the discrepancy is determined.
- 11) If two or more discrepancies are noted within one agency, another agency will be selected and the entire procedure will be repeated.
- 12) A report of the results of the review of the selected member agencies will be prepared within 15 days of the completion of the review. This review will be presented to the Executive Director of the appropriate Foodbank.
- 13) If discrepancies are noted during review of the Member agencies documentation a report detailing the discrepancies noted will be provided to the appropriate Executive Director. The Executive Director is required to provide a plan of corrective action to address the deficiencies identified within 15 working days.

**Status:** Same issue continues to exist. See Finding 2013-1 above.