



**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD  
LICKING AND KNOX COUNTIES**

**SINGLE AUDIT**

**FOR FISCAL YEAR ENDED DECEMBER 31, 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Community Mental Health and Recovery Board  
Licking and Knox Counties  
100 McMillan Drive  
Newark Ohio, 43055

We have audited the accompanying financial statements of Community Mental Health and Recovery Board, Licking and Knox Counties, Ohio, (the Board) as of and for the year ended December 31, 1998. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 provides a reasonable basis for our opinion.

As discussed in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Board as of December 31, 1998, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Board taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 1999 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

November 3, 1999

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts:</b>				
Taxes	\$2,516,581	\$0	\$0	\$2,516,581
Intergovernmental	7,042,137	0	0	7,042,137
Other Receipts	40,151	293	0	40,444
<b>Total Cash Receipts</b>	<u>9,598,869</u>	<u>293</u>	<u>0</u>	<u>9,599,161</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	347,046	0	0	347,046
Supplies	5,964	0	0	5,964
Legal Fees	0	77	0	77
Equipment	16,502	0	0	16,502
Contracts - Repair	12,126	0	0	12,126
Contracts - Services	9,474,260	0	0	9,474,260
Medicare	3,046	0	0	3,046
Rentals	5,886	0	0	5,886
Advertising and Printing	0	293	0	293
Travel	12,705	0	0	12,705
Public Employee's Retirement	46,528	0	0	46,528
Worker's Compensation	627	0	0	627
Hospitalization	18,753	0	0	18,753
Other	74,137	0	0	74,137
Capital Outlay	0	190,684	0	190,684
<b>Total Disbursements</b>	<u>10,017,580</u>	<u>191,054</u>	<u>0</u>	<u>10,208,633</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(418,711)</u>	<u>(190,761)</u>	<u>0</u>	<u>(609,472)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Advances-In		350,000	0	350,000
Advances-Out	(350,000)	0	0	(350,000)
Reimbursements	205,563	0	0	205,563
Other Sources	412,689	0	0	412,689
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>268,252</u>	<u>350,000</u>	<u>0</u>	<u>618,252</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(150,459)</u>	<u>159,239</u>	<u>0</u>	<u>8,780</u>
<b>Fund Cash Balances, January 1</b>	<u>2,109,648</u>	<u>0</u>	<u>75,000</u>	<u>2,184,648</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,959,188</b></u>	<u><b>\$159,239</b></u>	<u><b>\$75,000</b></u>	<u><b>\$2,193,428</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$5,213</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$5,213</b></u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Community Mental Health and Recovery Board , Licking and Knox Counties (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is directed by an eighteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

The Board also assists in the administration and accounting for the Licking/Knox Family and Children First program. Such program activity is reflected in the accompanying financial statements.

The Licking County Auditor serves as fiscal agent for the Board.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

As required by Ohio Revised Code, the Board's cash is held and invested by the Licking County Treasurer, who acts as custodian for Board's money. The Board's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

**D. Fund Accounting**

The Board uses fund accounting to segregate cash and investments that are restricted as to use. The Board classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Capital Project Fund**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Board had the following significant Capital Project Fund:

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Accounting (continued)**

**2. Capital Project Fund (continued)**

Main Street Center Project Fund- This is for development of an addition at the Mound builders guidance center.

**3. Fiduciary Fund (Trust fund)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Board is acting in an agency capacity. The Board had the following significant Fiduciary Fund:

ADAMHS Reserve Balance Fund- The fund was established to cover expenses that would arise if the participant' stay in a state hospital exceeded the maximum days allowed as prescribed by the Ohio Department of Mental Health. The fund receives monies from the General Fund. There was no activity in this fund within the current period.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Board did not encumber all commitments required by Ohio law.

A summary of 1998 budgetary activity appears in Note 2.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Board.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 1998 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,890,000	\$10,217,121	\$1,327,121
Capital Projects	350,000	350,293	293
Total	\$9,240,000	\$10,567,414	\$1,327,414

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,008,255	\$10,372,793	\$635,462
Capital Projects	350,000	191,054	158,946
Total	\$11,358,255	\$10,563,847	\$794,408

The above budgetary data was provided by the Licking County auditor as the Board's fiscal agent.

The Board currently prepares internal financial budgets and reports on a June 30<sup>th</sup> fiscal year end which is contrary to Ohio Revised Code which requires a December 31<sup>st</sup> fiscal year end. The Board can budget and report on a June 30<sup>th</sup> year end with the prior authorization of the Auditor of State. The Board did not obtain this authorization.

**3. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**4. RETIREMENT SYSTEMS**

The Board's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998, PERS members contributed 8.5% of their gross salaries. The Board contributed an amount equal to 13.55% of participants' gross salaries. The Board has paid all contributions required through December 31, 1998.

**5. RISK MANAGEMENT**

The Board is uninsured for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Board also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**6. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material

**7. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Board's operations as early as fiscal year 1999.

The Community Mental Health and Recovery Board has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the board's operations.

As of December 31, 1998, it was determined that the following external systems may have some affect on the operations of the Board:

***Financial reporting, tax collecting, payroll and employee benefit systems:*** The Board uses Licking County for preparation of the annual financial report, distribution of taxes collected, the payroll and benefits of board employees. The County is responsible for remediating these systems, and is solely responsible for any costs associated with the project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Board is or will be Year 2000 ready, that the Board's remediation efforts will be successful in whole or in part, or that parties with whom the Board does business will be year 2000 ready.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998**

<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Alcohol and Drug Addiction Services:			
Safe and Drug-Free Schools and Communities State Grant	84.186	45-45773-01-DFS-P-98	\$44,071
		45-45775-01-DFS-P-98	10,000
		45-45506-02-DFS-P-98	132,027
		45-45030-01-DFS-P-99	6,274
		45-45995-02-DFS-P-98	<u>29,843</u>
Total Safe and Drug-Free Schools and Communities State Grant			222,215
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>222,215</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through the Ohio Department of Mental Health			
Block Grant for Community Mental Health Services	93.958	BG-26-01	91,816
Social Services Block Grant	93.667	MH-26-02	231,096
Passed through the Ohio Department of Alcohol and Drug Addiction Services:			
Block Grant for Prevention and Treatment of Substance	93.959	45-45723-01-W-P-98	51,797
		45-45579-01-W-T-99	38,364
		45-45660-01-W-T-98	39,576
		45-4506-01-DCAR-P-99	9,856
		45-4506-01-DCAR-P-99	<u>578,593</u>
Total Block Grant for Prevention and Treatment of Substance			718,186
Jobs Grant	93.561	45-45660-01-JOBS-T-97-9200	<u>1,404</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,042,502</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$1,264,717</u></u>

The accompanying notes are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

**NOTE A- SIGNIFICANT ACCOUNTING POLICIES**

The accompany Schedule of Federal Awards Expenditures is summary of the activity of the Board's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B- SUBRECIPIENTS**

The Board passes- through certain federal assistance received from the Ohio Department of Alcohol & Drug Addiction Services and the Ohio Department of Mental Health to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under Federal Circular A-133, the Board is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations and provisions of contracts or grants agreements, and that performance goals are achieved.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Community Mental Health and Recovery Board  
Licking and Knox Counties  
100 McMillan Drive  
Newark, Ohio 43055

We have audited the financial statements of Community Mental Health and Recovery Board, Licking and Knox Counties ( the Board) as of and for the year ended December 31, 1998 and have issued our report thereon dated November 3, 1999. 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 Board's financial statements are free of 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings, as items 1998-60645-001 and 1998-60645-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Board in a separate letter dated November 3, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Board's internal control over financial reporting 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 Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings, as item 1998-60645-003.

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 control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness. We also noted a matter involving the internal control over financial reporting, which we have reported to management in a separate letter date November 3, 1999. Community Mental Health and Recovery Board

This report is intended for the information and use of the audit committee, management, the Board, 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 3, 1999





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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Community Mental Health and Recovery Board  
Licking and Knox Counties  
100 McMillan Drive  
Newark, Ohio 43055

**Compliance**

We have audited the compliance of Community Mental Health and Recovery Board, Licking and Knox Counties, ( the Board) 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 its major federal program for the year ended December 31, 1998. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Board's management. Our responsibility is to express an opinion on Board's compliance based on our audit.

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 Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstance. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.

**Internal Control Over Compliance**

The management of the Board 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 Board'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board, 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 3, 1999

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 1998**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Substance Abuse Prevention and Treatment Block Grant CFDA #93.959
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**NONCOMPLIANCE CITATIONS**

<b>Finding Number</b>	<b>1998-60645-001</b>
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**Fiscal Officer Certifying the Funds**

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

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

**NONCOMPLIANCE CITATIONS  
 (Continued)**

<b>Finding Number</b>	<b>1998-60645-001 (continued)</b>
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**Fiscal Officer Certifying the Funds (continued)**

This section also provides an exception to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Center may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Eighty-one percent of disbursements tested did not contain the required certificate of the fiscal officer prior to the purchase being made. The fiscal officer did not issue "Then and Now Certificates" for these payments.

We recommend that the Board certify the funds prior to making all purchases.

<b>Finding Number</b>	<b>1998-60645-002</b>
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**Fiscal Year**

Ohio Revised Code Section 9.34 sets forth the fiscal years for government units. It also states that the fiscal year of every school library district and all political subdivisions or taxing districts except for school districts shall begin on January 1 and end on December 31. All laws that relate to levying of taxes, the collection, appropriation and expenditure of revenues or the making of financial reports refer and apply to the appropriate fiscal year as defined in this section. In addition, the use of a different fiscal year or period under this section shall be approved by the fiscal officer of the subdivision and by the Auditor of State.

The Board currently prepares internal financial reports and budgets based on a fiscal year end of June 30<sup>th</sup>. The Board uses these financial reports and budgetary data to monitor, govern and manage its activities and from which management decisions are based. However, the Board did not obtain approval from the Auditor of State for using a June 30 fiscal year end.

We recommend that the Board seek Auditor of State approval in order to report and budget on a different period than prescribed by the Ohio Rev. Code Section 9.34.

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

**REPORTABLE CONDITION**

<b>FINDING NUMBER</b>	<b>1998-60645-003</b>
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**Reconciling Board Records to Fiscal Agents Record**

The Board prepares internal financial records on a different fiscal year than the one prescribed by law, and these ledgers are in accordance with an accrual basis of accounting. The accrual basis of accounting records revenues and expenditures when earned or incurred, respectively. However, the records and statements are generated based on the fiscal agents (ie the Counties) records in accordance with the cash basis of accounting as required by law. Although they prepare a monthly cash reconciliation, the reconciliation does not present these differences in timing and accounting theories between the two systems. This reconciliation should be performed to document the differences of the two ledgers in order to determine the completeness and accuracy of the financial data. Failure to do this reconciliation could lead to errors in record keeping going undetected by management in a timely manner.

We recommend that the Board implement a procedure whereby the reconciliation of the accounting records is performed on a monthly basis between the two financial data sources- the County and the Board internal financial reports. Such reconciliation must identify those differences, due to timing and the Board accrual basis reporting. Each reconciling item identified should be traced to the County's records for proper inclusion or exclusion. Also, this reconciliation should be reviewed and approved by the Board's management.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD**

**LICKING 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  
FEBRUARY 1, 2000**