



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
1541 Allentown Road, Suite B
Lima, OH 45805

To the Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (the Board) as of and for the year ended December 31, 2001. 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 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 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 combined fund cash balances and reserves for encumbrances of the Board as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the Board, taken as a whole. The accompanying schedule of federal award expenditures is presented for 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. We subjected this information 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.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 1, 2002

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$1,066,564		\$1,066,564
Intergovernmental Revenue	88,776		88,776
Grants		\$7,884,014	7,884,014
Contract Services	44,402		44,402
Other Receipts	3,005	372	3,377
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,202,747	7,884,386	9,087,133
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Salaries		301,810	301,810
Supplies		9,615	9,615
Equipment		6,526	6,526
Contracts - Repair		5,546	5,546
Contracts - Services	948,727	201,520	1,150,247
Grants		6,678,243	6,678,243
Rentals		34,472	34,472
Advertising and Printing	11,868	4,074	15,942
Travel		9,185	9,185
Public Employee's Retirement		64,897	64,897
Project Fund Disbursements		66,314	66,314
Other	5,000	27,266	32,266
	<hr/>	<hr/>	<hr/>
Total Disbursements	965,595	7,409,468	8,375,063
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	237,152	474,918	712,070
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Refunds	181,061	27,698	208,759
Reimbursements		(68,755)	(68,755)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	181,061	(41,057)	140,004
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	418,213	433,861	852,074
Fund Cash Balances, January 1	2,936,577	385,032	3,321,609
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$3,354,790	\$818,893	\$4,173,683
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$117,269	\$859,675	\$976,944
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Agency Fund</u>
Cash Receipts:	
Fees	<u>\$17,414</u>
Total Cash Receipts	<u>17,414</u>
Cash Disbursements:	
Current:	
Contracts - Repair	<u>162</u>
Total Disbursements	<u>162</u>
Total Receipts Over/(Under) Disbursements	17,252
Fund Cash Balance, January 1	<u>64,687</u>
Fund Cash Balance, December 31	<u><u>\$81,939</u></u>

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mental Health and Recovery Services of Allen, Auglaize and Hardin 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 a fourteen-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. Those subdivisions are Allen, Auglaize and Hardin Counties, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the District being served by the Board. These services are provided primarily through contracts with private and public agencies.

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 County Treasurer is custodian for the Board's cash. The Board's cash is held in the County's cash and investment pool, and are valued at the County Treasurer's 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. Special Revenue Funds

These funds are used to account for proceeds that are restricted to expenditure for specific purposes. The Board had the following significant Special Revenue Funds:

408 Fund – This fund receives money from the Ohio Department of Mental Health to provide specific eligible services to severely mentally ill individuals.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ohio Department of Mental Health (ODMH) Medicaid Fund - This fund receives monies from the federal government (passed through ODMH) to provide specific eligible services to Medicaid eligible individuals.

3. Fiduciary Fund (Agency Fund)

This fund is used to account for resources for which the Board is acting in an agency capacity. The Board had the following significant Fiduciary Fund:

Council of Governments Fund - This fund represents the remaining cash balance of the Mental Health Board of Western Ohio, and the monthly rental income from the building at 799 South Main Street, Lima, Ohio.

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 fund, function or object level of control for the General Fund and at the fund level for Special Revenue Funds, 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.

A summary of 2001 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.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Board's basis of accounting.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 follows:

<u>2001 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,137,955	\$1,383,808	\$245,853
Special Revenue	7,205,604	7,912,084	706,480
	<u>\$8,343,559</u>	<u>\$9,295,892</u>	<u>\$952,333</u>

<u>2001 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,422,112	\$1,082,864	\$339,248
Special Revenue	8,243,133	8,337,898	(94,765)
	<u>\$9,665,245</u>	<u>\$9,420,762</u>	<u>\$244,483</u>

Contrary to Ohio law, several funds had deficit fund balances, which indicate that revenues from other funds were used to meet the expenses of those funds.

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.

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.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. RETIREMENT SYSTEM

The Board's full-time 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 2001, PERS members contributed 8.5% of their gross salaries and the Board contributed an amount equal to 13.55% of participants' gross salaries. The Board has paid all contributions required through December 31, 2001.

5. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicle;
- Errors and omissions.

The Board also participates in the County Employee Health Insurance Plan established by Allen County to account for and finance employee health benefits. The employee Health Care Plan is responsible for \$75,000 in claims per individual per year. After that, stop-loss covers up to lifetime maximum of \$2,000,000 per covered person. Further information may be obtained by contacting the Allen County Administrator, 301 North Main Street, Lima, Ohio 45801.

6. GRANTS

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Receipts	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Health:</i>				
Community Block Grant	93.958	01-BG01PLAN-01	\$94,122	\$59,738
	93.958	01-BG01PLAN-02	41,210	45,733
Children/Adolescent Block Grant	93.958	01-CS2-FY00	38,885	43,327
	93.958	01-CS2-FY01	29,164	41,451
Block Grant Community Support	93.958	01-BG-99-01-00	<u>75,000</u>	<u>75,000</u>
Total Block Grants for Community Mental Health Services			<u>278,381</u>	<u>265,249</u>
Social Services Block Grant	93.667	FY01	149,425	149,425
	93.667	FY02	<u>37,013</u>	<u>56,256</u>
Total Social Services Block Grant			186,438	205,681
Medical Assistance Program	93.778	FY01	585,398	585,624
	93.778	FY02	857,822	822,358
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>				
Medical Assistance Program	93.778		55,411	57,887
	93.778		<u>88,955</u>	<u>94,626</u>
Total Medical Assistance Program			1,587,586	1,560,495
Alcohol, Drug and Rehabilitation Block Grant	93.959	01-BGD-FY01	530,571	426,928
	93.959	01-BGD-FY02	229,979	225,668
Urban Minority Alcohol and Drug Addiction Services	93.959	0202930-01UMP01	137,444	41,233
	93.959	0202930-01UMP02	<u>68,722</u>	<u>123,700</u>
Total Substance Abuse Prevention and Treatment Block Grant			<u>966,716</u>	<u>817,529</u>
Total Federal Assistance - U.S. Department of Health and Human Services			<u>\$3,019,121</u>	<u>\$2,848,954</u>

The notes to the Schedule of Federal Award Expenditures are an integral part of this schedule.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes activity of the Mental Health and Recovery Service's (the Board) federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – SUBRECIPIENTS

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

The sub recipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Board is responsible for monitoring sub recipients to help assure that Federal Awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
1541 Allentown Road, Suite B
Lima, OH 45805

To the Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (the Board) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 1, 2002. We conducted our audit in accordance with auditing standards generally accepted by 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-60202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Board in a separate letter dated May 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Board in a separate letter dated May 1, 2002.

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board, and 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 1, 2002



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
1541 Allentown Road, Suite B
Lima, OH 45805

To the Members of the Board:

Compliance

We have audited the compliance of the Mental Health and Recovery Services of Allen, Auglaize and Hardin 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, 2001. 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 the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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 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 circumstances. 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, 2001.

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 solely 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

May 1, 2002

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 93.778 – Medical Assistance Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-60202-001

Deficit Fund Balances

Ohio Rev. Code Section 5705.10, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, deficit fund balances indicate that money from one fund was used to cover the expenses of other funds. The following funds had deficit fund balances at year end:

State 502	\$15,133
State 508	48,998
Youth Mentoring –UMADOP	9,625
Title XX	19,243
ODMH – Medicaid	121,507
ODADAS – Medicaid	14,834
Community Plan – Mental Health	1,460
Children School Base – Mental Health	12,287
UMADOP	54,978

A cash advance could be a desirable method to resolve cash flow problems resulting from grants that are allocated on a reimbursement basis. An advance is intended to temporarily reallocate cash from one fund to another and involves an expectation of repayment. However, advances are subject to the following requirements:

- a) Any advance must be clearly labeled as such, and must be distinguished from a transfer, which is intended to reallocate money permanently from one fund to another;
- b) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- c) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- d) Advances must be approved by a formal resolution of the taxing authority of the subdivision and must include: a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

Advances from the General Fund to other funds should be considered to prevent deficit fund balances. Guidance for approving and accounting for advances is included in Auditor of State Bulletin 97-003.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60202-001	Revised Code 5705.10, deficit fund balances	No	The Executive Director and Chief Financial Officer consulted the Board concerning the possibility of advancing funds to prevent negative fund balances. Their conclusion was that, since the funds with significant negative balances are for reimbursing grants, the negative fund balances are short term and advancing to cover these negative balances can be cumbersome and confusing.
2000-60202-001	Revised Code 5705.14, 5705.15 and 5705.16, illegal transfers	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MENTAL HEALTH AND RECOVERY SERVICES OF ALLEN, AUGLAIZE AND HARDIN COUNTIES

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 28, 2002**