

**COMMUNITY MENTAL HEALTH & RECOVERY
BOARD OF LICKING & KNOX COUNTIES**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Community Mental Health and Recovery Board, Licking and Knox Counties, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2002 to December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Community Mental Health and Recovery Board is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 25, 2003

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2002	3
Notes to the Financial Statements	4
Schedule of Federal Awards Expenditures	9
Notes to Schedule of Federal Awards Expenditures	10
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	12
Schedule of Findings.....	14
Schedule of Prior Audit Findings.....	16

This Page is Intentionally Left Blank.



REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Community Mental Health and Recovery Board, Licking and Knox Counties, Ohio (the Board) as of and for the year ended December 31, 2002. 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 described 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserve for encumbrances of the Community Mental Health and Recovery Board, Licking and Knox Counties, as of December 31, 2002, and its 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 June 12, 2003 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.

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 federal awards expenditures 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Community Mental Health and Recovery Board
Licking and Knox Counties
Independent Accountant's Report
Page 2

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

Wilson, Shuman & Sons, Inc.

June 12, 2003

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Taxes	\$ 2,815,670	\$ -	\$ 2,815,670
Intergovernmental	10,784,306	62,100	10,846,406
Total Cash Receipts	13,599,976	62,100	13,662,076
Cash Disbursements:			
Current:			
Salaries	518,859	-	518,859
Supplies	7,756	-	7,756
Equipment	6,834	-	6,834
Contracts - Repair	3,843	-	3,843
Contracts - Services	9,033,021	-	9,033,021
Contracts - Projects	-	14,570	14,570
Grants	352,974	-	352,974
Medicare	5,560	-	5,560
Rentals	22,938	-	22,938
Travel	12,799	-	12,799
Public Employee's Retirement	67,424	-	67,424
Worker's Compensation	1,741	-	1,741
Hospitalization	40,597	-	40,597
Utilities	18,349	-	18,349
Knox Levy Expenditures	479,692	-	479,692
Licking Levy Expenditures	1,408,616	-	1,408,616
Other	74,360	-	74,360
Total Disbursements	12,055,363	14,570	12,069,933
Total Receipts Over Disbursements	1,544,613	47,530	1,592,143
Other Financing Receipts/(Disbursements):			
Transfers-In	-	375,000	375,000
Transfers-Out	(375,000)	-	(375,000)
Reimbursements	257,057	-	257,057
Total Other Financing Receipts/(Disbursements)	(117,943)	375,000	257,057
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	1,426,670	422,530	1,849,200
Fund Cash Balances, January 1, 2002	2,749,478	7,670	2,757,148
Fund cash balances, December 31, 2002	\$ 4,176,148	\$ 430,200	\$ 4,606,348
Reserves for Encumbrances, December 31, 2002	\$ 718,344	\$ 10,936	\$ 729,280

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Community Mental Health and Recovery Board, Licking and Knox Counties, Ohio (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 made up of eighteen members and provides alcohol, drug addiction, and mental health services and programs to citizens of Knox and Licking counties. These services are provided primarily through contracts with private and public agencies.

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 by the Licking County Treasurer, who acts as custodian for the 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:

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

River Valley Fund – This fund was used for the expansion of the existing River Valley facility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

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.

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 2002 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation upon separation of services and sick leave upon retirement.. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Board.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,000,000	\$13,857,033	\$1,857,033
Capital Projects	975,000	437,100	(537,900)
Total	\$12,975,000	\$14,294,133	\$1,319,133

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,033,475	\$13,148,707	\$884,768
Capital Projects	976,208	25,506	950,702
Total	\$15,009,683	\$13,174,213	\$1,835,470

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, 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, 2002.

5. RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- 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. LOANS

During the year, the Board authorized loans to provider agencies. A summary of the loans authorized for the year ended December 31, 2002 follows:

<u>Agency</u>	<u>Balance at 12/31/2001</u>	<u>Loans Made 2002</u>	<u>Payments Received 2002</u>	<u>Balance at 12/31/2002</u>
Spencer House	\$ -	\$ 25,000	\$ -	\$ 25,000
LAPP	100,000	-	100,000	-
Pathways	-	100,000	-	100,000
Moundbuilders	<u>42,477</u>	<u>302,906</u>	<u>107,039</u>	<u>238,344</u>
	<u>\$142,477</u>	<u>\$427,906</u>	<u>\$207,039</u>	<u>\$363,344</u>

A repayment plan has not been put in place for the outstanding loan balance at year end to the provider agencies.

8. DEBT

The changes in the Board's debt during fiscal year 2002 were as follows:

Balance at 12/31/01	\$ 440,475
Payments during 2002	<u>12,438</u>
Balance at 12/31/02	<u>\$ 428,038</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. DEBT - CONTINUED

Principal requirements to retire the aforementioned mortgages with the Ohio Department of Mental Health (ODMH) are as follows:

	<u>Payments</u>
2003	\$ 12,438
2004	12,438
2005	12,438
2006	12,438
2007	12,438
Thereafter	<u>365,848</u>
	\$ <u><u>428,038</u></u>

The debt service requirements as shown above in the payment schedule are met by way of a reduction of the reimbursements provided by ODMH to the Board for approved services.

9. RELATED PARTY TRANSACTIONS

The Board has allowed The Main Place, a provider agency of the Board, to use a building free of rent since September 1986. The Board has allowed the River Valley facility to use a building free of rent since November 1995. River Valley is a resident complex that Moundbuilders Guidance Center, a provider agency of the Board, uses to house program participants.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Safe and Drug-Free Schools and Communities State Grant	DFSCA-P-03	84.186	\$ 120,156
Total U.S. Department of Education			<u>120,156</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Substance Abuse and Mental Health Services Administration Grant		93.230	352,974
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	MH-26-03	93.667	133,997
Medical Assistance Program	MC-26-03	93.778	2,358,656
Block Grants for Community Mental Health Services	BG-26-03	93.958	125,424
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	MC-26-03	93.778	216,104
Block Grant for Prevention and Treatment of Substantive Abuse	P-03 & T-03	93.959	883,592
Total U.S. Department of Health and Human Services			<u>4,070,747</u>
Total Expenditures of Federal Awards			<u>\$ 4,190,903</u>

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes 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 Government is responsible for monitoring subrecipients 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.



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

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

We have audited the financial statements of the Community Mental Health and Recovery Board, Licking and Knox Counties, Ohio (the Board) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 12, 2003. 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.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. 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. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

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 believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the finance committee, management, 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.

Wilson, Shannon & Snow, Inc.

June 12, 2003

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-6635



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

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

Compliance

We have audited the compliance of the Community Mental Health and Recovery Board, Licking and Knox Counties, Ohio (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 each of its major federal programs for the year ended December 31, 2002. The Board's major federal programs are 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 each of its major federal programs are 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 each of its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2002-002.

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.

Wilson, Mann & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-521-6611
FAX (740) 345-9635

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Board's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2002-002.

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

This report is intended for the information and use of the finance committee, management, 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.

Wilson Shuman & Snow, Inc.

June 12, 2003

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program - CFDA # 93.778 SAMHSA - CFDA # 93.230
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding Number 2002-001

Loans to Provider Agencies

During the year, the Board authorized \$427,906 in loans to provider agencies. Repayment plans for loans issued to Spencer House, Moundbuilders, and Pathways have not been established to ensure systematic repayment in a timely manner.

There appears to be no statutory authority that would allow the Board to make such loans to provider agencies. The Board runs the risk of losing agency funds if a provider agency fails to make repayment or discontinues operations. There is also increased risk that provider agencies may overstate billings in order to more quickly offset the debt and increase cash flow.

These loans were made in the beginning of 2002, before current Management was hired. Once the current Executive Director and Director of Business Operations entered their positions with the Board, the practice of loaning to provider agencies was terminated; all outstanding loans are currently being evaluated by the Board of Directors to determine the best method of repayment.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number 2002-002

Timely Payment Remittance – Cash Management

Contract B, Section (C) (1) interpretation from the Directors of the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and Ohio Department of Mental Health (ODMH) requires the Board to pay Medicaid providers within thirty (30) days of the issuance of the Electronic Remittance Advance by ODADAS or ODMH.

One out of the twenty payments to Medicaid providers was made 21 days after the 30 day period.

The Board should insure that all Medicaid providers are paid within thirty days of receipt by ODADAS and ODMH.

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

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2001-60645-001	Loans to Provider Agencies	Partially	When the current Administration took office, the practice of loaning to provider agencies was terminated. Currently, no repayment plan is in effect for outstanding loan balances. Reissued as finding number 2002-001.
2001-60645-002	Timely Payment Remittance – Cash Management	Partially	In 2002, the Board began to contract with a billing service to process claims for agency billings, thereby ensuring payment within the 30 day period. One out of 20 payments to Medicaid providers tested was made 21 days after the 30 day period. Reissued as finding number 2002-002.
2001-60645-003	Federal Awards Expenditures	Yes	Corrected



**Auditor of State
Betty Montgomery**

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

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
SEPTEMBER 16, 2003**