



**Auditor of State
Betty Montgomery**

HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Schedule of Receipts and Expenditures of Federal Awards.....	11
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	12
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	15
Schedule of Findings.....	17

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Holmes County Family and Children First Council
Holmes County
85 N. Grant Street
PO Box 72
Millersburg, Ohio 44654

To the Members of the Board:

We have audited the accompanying financial statements of the Holmes County Family and Children First Council, Holmes County, Ohio, (the Council) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Council'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 Council 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.

As further discussed in Note 6, during 2001, the Council reclassified the fund type used to report pooled funding agreements. As a result, beginning fund balances have been restated.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Council as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2003 on our consideration of the Council'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.

This report is intended solely for the information and use of the audit committee, management, Council, and federal awarding agencies and pass-through entities, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 22, 2003

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**COMBINED 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>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$20,000	\$419,367	\$439,367
Local Agency Contributions	28,688	211,186	239,874
Total Cash Receipts	<u>48,688</u>	<u>630,553</u>	<u>679,241</u>
Cash Disbursements:			
Current:			
Contracts - Service/Consultations		669,606	669,606
Personnel	43,106		43,106
Other	120		120
Total Cash Disbursements	<u>43,226</u>	<u>669,606</u>	<u>712,832</u>
Excess of Cash Receipts (Under)			
Cash Disbursements	5,462	(39,053)	(33,591)
Fund Cash Balances, January 1	<u>34,552</u>	<u>299,840</u>	<u>334,392</u>
Fund Cash Balances, December 31	<u><u>\$40,014</u></u>	<u><u>\$260,787</u></u>	<u><u>\$300,801</u></u>

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$20,000	\$296,371	\$316,371
Local Agency Contributions	27,908	224,238	252,146
	<u>47,908</u>	<u>520,609</u>	<u>568,517</u>
Total Cash Receipts			
	<u>47,908</u>	<u>520,609</u>	<u>568,517</u>
Cash Disbursements:			
Current:			
Contracts - Service/Consultations	4,207	534,337	538,544
Personnel	46,158		46,158
Other	1,096		1,096
Return of Unused Grant Funds		26,550	26,550
	<u>51,461</u>	<u>560,887</u>	<u>612,348</u>
Total Cash Disbursements			
	<u>51,461</u>	<u>560,887</u>	<u>612,348</u>
Excess of Cash Receipts (Under)			
Cash Disbursements	(3,553)	(40,278)	(43,831)
Fund Cash Balances, January 1 (Restated)	<u>38,105</u>	<u>340,118</u>	<u>378,223</u>
Fund Cash Balances, December 31	<u>\$34,552</u>	<u>\$299,840</u>	<u>\$334,392</u>

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ohio Rev. Code Section 121.37 created the Ohio Family and Children First Cabinet Council and permitted counties to establish County Family and Children First Councils. Statutory membership of a county council consists of the following individuals:

- a. The director of the board of alcohol, drug addiction, and mental health services that serves the county, or, in the case of a county that has a board of alcohol and drug addiction services and a community mental health board, the directors of both boards;
- b. The health commissioner of the board of health of each city or general health district in the county, or their designees;
- c. The director of the county department of human services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to Ohio Rev. Code Section 5153.15;
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. The county's juvenile court judge senior in service;
- g. The superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the county, as determined by the department of education, which shall notify each county of its determination at least biennially;
- h. A school superintendent representing all other school districts with territory in the county, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the largest city in the county;
- j. The chair of the board of county commissioners, or an individual designated by the board;
- k. A representative of the regional office of the department of youth services;
- l. A representative of the county's head start agencies, as defined in Ohio Rev. Code Section 3301.31;
- m. A representative of the county's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986"; and
- n. At least three individuals representing the interests of families in the county. Where possible, the number of members representing families shall be equal to twenty percent of the council's remaining membership. In addition, a County Family and Children First Council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the council.

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

A county council's statutory responsibilities include the following:

- a. Refer to the cabinet council those children for whom the council cannot provide adequate services;
- b. Make periodic reports to the cabinet council regarding the number of children referred to the county council and the progress made in meeting the needs of each child;
- c. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- d. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, inter-agency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the department of health for early intervention services under the "Education of the Handicapped Act Amendments of 1986";
- e. Maintain an accountability system to monitor the council's progress in achieving its purposes; and
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

The Holmes County Family Council (the Council) was officially created on October 3, 1995 by proclamation of the Governor of the State of Ohio.

The Holmes County Department of Job and Family Services serves as administrative agent for the Council and the Holmes County Auditor serves as the Council's fiscal agent. The County Auditor maintains the Council's funds in a special revenue fund on the County's financial records.

The Council's management believes these financial statements present all activities for which the Council 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.

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Equity in Pooled Cash and Investments

The Holmes County Treasurer maintains a cash pool used by all of the County's funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the County at December 31, 2002 and 2001 was \$300,801 and \$334,392, respectively. The Holmes County Treasurer is responsible for maintaining adequate depository collateral for all funds in the Holmes County's pooled and deposit accounts and ensuring that all monies are invested in accordance with the Ohio Revised Code.

D. Fund Accounting

The Council uses fund accounting to segregate resources that are restricted as to use. The Council 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 from specific sources that are restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Funds:

The Family Stability Incentive Fund - This fund receives grant money for the purpose of providing family-centered, neighborhood-based intervention services to children.

Help Me Grow (Temporary Assistance for Needy Families (TANF)) Grant Fund - This fund receives federal grant money for the purpose of providing services to families with young children at greater risk. This fund replaced the Early Start Expansion and Welcome Home funds as of July 1, 2001.

Pooled Funds – This fund receives money from a group consisting of the Holmes County Department of Job and Family Services, the Holmes County Juvenile Court, the Holmes/Wayne Mental Health and Recovery Board, and the Holmes County Board of Mental Retardation and Developmental Disabilities for the purpose of providing specialized, multi-need services to specifically identified children in a coordinated, focused fashion.

E. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually. The Council must file the budget with its administrative agent (Holmes County Department of Job and Family Services), the County Auditor, and the Board of County Commissioners.

F. Contracted Services

The Council Coordinator is a paid employee of Holmes County. The funds used to pay her salary are derived from a state administrative grant and local agency membership contributions received by the Council and are accounted for within a County special revenue fund.

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. BUDGETARY ACTIVITY (Continued)

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,688	\$48,688	\$0

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,295	\$43,226	\$16,069

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,458	\$47,908	\$2,450

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,563	\$51,461	\$12,102

3. RETIREMENT SYSTEM

The Council Coordinator belongs to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS 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 and 2002, the Council Coordinator contributed 8.5% of their gross salary. The Council contributed an amount equal to 13.55% of the Council Coordinator's gross salary. The Council has paid all contributions required through December 31, 2002 and 2001.

4. RELATED PARTY TRANSACTIONS

Maurice Mullet is a required member of the Council Board and is the Director of the Holmes County Health Department (HCHD). The Council has entered into contracts which award the HCHD over \$245,000 for State fiscal year 2002.

Joseph Messner is a member of the Council Board and the President of Your Human Resource Center (YHRC). The Council had entered into contracts which award YHRC over \$25,000 for State fiscal year 2002.

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state and federal governments. 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.

6. RESTATEMENT OF FUND BALANCES

Prior to 2001, the Council reported pooled funds received from various county departments and agencies in the General Fund rather than in the Special Revenue Fund Type. However, upon review of the contract terms, the Council has determined Special Revenue Fund Type classification is more appropriate for its pooled funding agreements. In addition, the Special Revenue Funds were overstated as a result of an error.

The restatement of the pooled fund activity and the correction of this error had the following net effect on fund balances and Total Cash Receipts Over/(Under) Cash Disbursements as previously reported at December 31, 2000:

	<u>Balance Previously Reported</u>	<u>Reclassification</u>	<u>Correction of Error</u>	<u>Restated Balance January 1, 2001</u>
General	\$370,407	(\$332,302)	\$0	\$38,105
Special Revenue	10,856	332,302	(3,040)	340,118
			<u>General</u>	<u>Special Revenue</u>
Total Cash Receipts Over/(Under) Cash Disbursements as Previously Reported			\$138,245	(\$41,210)
Reclassification			(114,502)	114,502
Correction of Error			<u>0</u>	<u>(3,040)</u>
Total Cash Receipts Over/(Under) Cash Disbursements as Restated			<u>\$23,743</u>	<u>\$70,252</u>

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**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

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

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>(Passed Through Holmes County Department of Job and Family Services)</i>				
Temporary Assistance for Needy Families	N/A	93.558	\$217,445	\$220,041
<i>(Passed Through Ohio Department of Mental Health)</i>				
FSIF Blended Block Grant	118-CS-02-01	93.556	83,661	84,919
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>(Passed Through Ohio Department of Health)</i>				
Early Intervention	38-1-002-1-EG-02	84.181	<u>25,675</u>	<u>30,879</u>
TOTAL			<u><u>\$326,781</u></u>	<u><u>\$335,839</u></u>

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the Council's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FIFO METHOD

Federal funds were commingled with General Fund revenue for the Special Education Grants for Infants and Families with Disabilities/Early Intervention. A first-in, first-out (FIFO) method was used to arrive at grant expenditures for those federal programs.

NOTE C - SUBRECIPIENTS

The Council passes-through certain Federal assistance received from the Ohio Department of Job and Family Services, Ohio Department of Health and Ohio Department of Mental Health to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Council 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 Council 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.



**Auditor of State
Betty Montgomery**

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

Holmes County Family and Children First Council
Holmes County
85 N. Grant Street
PO Box 72
Millersburg, Ohio 44654

To the Members of the Board:

We have audited the accompanying financial statements of Holmes County Family and Children First Council, Holmes County, Ohio, (the Council) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 22, 2003, wherein we noted the Council made a certain fund type reclassification. 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 Council'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*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the Council in a separate letter dated July 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council'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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated July 22, 2003.

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This report is intended solely for the information and use of the audit committee, management, Council, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 22, 2003



Auditor of State Betty Montgomery

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

Holmes County Family and Children First Council
Holmes County
85 N. Grant Street
PO Box 72
Millersburg, Ohio 44654

To the Members of the Board:

Compliance

We have audited the compliance of Holmes County Family and Children First Council, Holmes County, (the Council) 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, 2002. The Council'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 Council's management. Our responsibility is to express an opinion on Council'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 Council'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 Council's compliance with those requirements.

In our opinion, the Council 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, 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 2002-001.

We also noted a certain immaterial instance of noncompliance that does not require inclusion in this report that we have reported to management of the Council in a separate letter dated July 22, 2003.

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Internal Control Over Compliance

The management of the Council 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 Council'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.

Schedule of Receipts and Expenditures of Federal Awards

We have audited the financial statements of the Holmes County Family and Children First Council (the Council) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 22, 2003, wherein we noted the Council made a certain fund type reclassification. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards 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, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

July 22, 2003

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HOLMES COUNTY**

**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)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance 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?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Temporary Assistance for Needy Families/CFDA # 93.558
<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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-001
CFDA Title and Number	Temporary Assistance for Needy Families (TANF) CFDA # 93.558
Federal Award Number / Year	2002
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Holmes County Department of Job and Family Services

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d) requires, in part, that a pass-through entity perform the following for Federal awards it makes:

- 1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the amount is R&D, and name of Federal agency. When some of the information is not available, the pass-through entity shall provide the best information available to describe the Federal Award.
- 2) Advise subrecipients of requirements imposed on them by Federal laws and regulations, and the provisions of contracts and grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- 3) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

The Help Me Grow contract dated July 1, 2002 between the Holmes County Department of Job and Family Services (HCJFS), as administrative agent for the Holmes County Family and Children First Council (Council), and the Holmes County Health Department (HCHD) did not clearly document the fact that the Holmes County Health Department was a subrecipient of federal awards and that provisions of OMB Circular A-133 had to be followed as a result of the contract.

As required by OMB Circular A-133, the Council should clearly communicate any federal subrecipient responsibilities and compliance requirements in its contracts with subrecipients. In addition, the Council should ensure that any subrecipient who expends \$300,000 or more in Federal awards during the subrecipient's fiscal year has met the audit requirements for that fiscal year.

In addition, the following self imposed requirements in the aforementioned contract were not adhered to:

- 1) The Council did not receive a list of eligible participants served. The contract stipulates that invoices submitted by the HCHD are to include a detailed list of eligible participants served for the month invoiced.
- 2) The Council did not require the following reports to be provided for its review as stipulated in the agreement:
 - TANF web reports for the Help Me Grow and Wellness Block Grant programs, which are due by the 20th of the month following the month of service.
 - Quarterly financial reports of actual expenditures compared to budgeted expenditures for the Wellness Block Grant Program, which are due the 20th of the month following the end of the quarter.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

(Continued)

The Council should review the terms of its agreement. Considering its responsibility under OMB Circular A-133 to effectively monitor subrecipients, the Council should determine whether contract provisions should be amended, added, or removed. The Council should take measures to enforce provisions of the agreement which require specific documentation to be provided or actions to be taken.



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HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL

HOLMES 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 23, 2003**