



Dave Yost • Auditor of State

HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY

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Dave Yost • Auditor of State

Highland County Family and Children First Council
Highland County
1575 North High Street
Hillsboro, OH 45133

To the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

November 22, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Highland County Family and Children First Council
Highland County
1575 North High Street
Hillsboro, OH 45133

To the Council:

We have audited the accompanying financial statements of the Highland County Family and Children First Council, Highland County, Ohio (the Council), as of and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Councils to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2010 and 2009, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Highland County Family and Children First Council, Highland County, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 22, 2011

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Intergovernmental	\$ 17,819	\$ 361,271	\$ 379,090
Total Cash Receipts	17,819	361,271	379,090
Cash Disbursements:			
Current:			
Contract Services	21,115	96,623	117,738
Salaries & Benefits	0	191,877	191,877
Equipment	0	1,713	1,713
Supplies	0	5,600	5,600
Travel/Training	0	9,403	9,403
Administration	847	2,273	3,120
Miscellaneous	0	483	483
Total Cash Disbursements	<u>21,962</u>	<u>307,972</u>	<u>329,934</u>
Total Receipts Over/(Under) Disbursements	(4,143)	53,299	49,156
Fund Cash Balances, January 1	<u>52,271</u>	<u>21,735</u>	<u>74,006</u>
Fund Cash Balances, December 31	<u>\$ 48,128</u>	<u>\$ 75,034</u>	<u>\$ 123,162</u>

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

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$ 16,257	\$ 216,141	\$ 232,398
Total Cash Receipts	16,257	216,141	232,398
Cash Disbursements:			
Current:			
Contract Services	20,101	265,886	285,987
Administration	3,618	0	3,618
Total Cash Disbursements	23,719	265,886	289,605
Total Receipts Over/(Under) Disbursements	(7,462)	(49,745)	(57,207)
Other Financing Receipts/(Disbursements):			
Reimbursements	0	(1,100)	(1,100)
Total Other Financing Receipts/(Disbursements)	0	(1,100)	(1,100)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,462)	(50,845)	(58,307)
Fund Cash Balances, January 1, Restated	59,733	72,580	132,313
Fund Cash Balances, December 31	<u>\$ 52,271</u>	<u>\$ 21,735</u>	<u>\$ 74,006</u>

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

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ohio Revised 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 county ADAMH board. For counties served by a joint ADAMH board, the joint board's director must designate a member to participate on the county's council.
- b. A representative from each city board of health and general health district in the county. If there are more than two health districts, then the membership is limited to the commissioners of the two districts with the largest populations.
- c. The director of the county department of human services.
- d. The executive director of the county children's services board.
- e. The superintendent of the county board of mental retardation and developmental disabilities.
- f. The administrative or the judge senior in service or his designee for the county's juvenile court.
- g. The superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the county.
- 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 municipal corporation with the largest population in the county.
- j. The chair of the board of county commissioners, or designee.
- k. A representative of the regional office of the department of youth services.
- l. A representative of the county's head start agencies.
- m. A representative of the county's early intervention collaborative.
- n. At least three individuals whose families are receiving or have received services from an agency which is represented on the council. If possible, 20% of the council's membership should consist of members representing families.
- o. The director of the community mental health board.
- p. A representative of the local nonprofit entity that funds, advocates, or provides services to children and families.

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 county-wide comprehensive, coordinated, multi-disciplinary, interagency 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.

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.

C. Fund Accounting

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

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund is the general operating fund of the Council. It is used to account for all financial resources, except those required by law or contract to be accounted for in another fund. The Council maintains a General Fund for awards to the Council funded from state sources. During 2008 and 2007 the following programs were awarded to the Council: Council Administrative Funds Grant.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

The Council maintains a special revenue fund for awards to the Council funded from state sources. During 2010 and 2009 the following programs were awarded to the Council: Partnership for Success Grant, Non Behavioral Grant, FAST/FCSS Grant, Children's Trust Grant and Help Me Grow Grant.

D. Fiscal Agent

The Highland County Board of Commissioners serves as the Council's administrative agent. The Highland County Auditor serves as the Council's fiscal agent and maintains Council funds in a separate agency fund.

E. 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.

F. Budgetary Process

The Council files an annual budget of estimated expenditures with their administrative agent, Highland County Board of Commissioners as required by state law.

2. EQUITY IN POOLED CASH

The Highland 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, and the County is responsible for meeting compliance requirements. The Council's carrying amount of cash on deposit with the County at December 31, 2010 and 2009 was \$123,162 and \$74,006, respectively.

3. RISK MANAGEMENT

The Council is covered under the Highland County insurance policy.

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. RELATED PARTY TRANSACTIONS

The Family and Children First Council contracted services to Highland County Board of DD, a board under supervision of the Highland County Commissioners

5. PRIOR PERIOD ADJUSTMENT

Restatement January 1, 2009 Fund Balances

At December 31, 2008, the Council Help Me Grow grant monies were not reported as a Council fund and should have been accounted for in the Council's Help Me Grow special revenue funds. The Non-BH, FCSS/FAST, Children's Trust, and Partnership for Success grants were erroneously accounted for in the General Fund when they should have been accounted for in separate Special Revenue Funds. The January 1, 2009 fund balance has been restated as follows:

Fund	Fund Balance at 12/31/08	Restatement Amount	Restated Fund Balance at 1/01/09
Help Me Grow Fund	0	\$64,585	\$64,585
Non-BH Fund	0	5,635	5,635
FCSS/FAST Fund	0	127	127
Children's Trust Fund	0	233	233
Partnership for Success Fund	0	2,000	2,000
Total Special Revenue	\$0	\$72,580	\$72,580
General Fund	\$67,728	\$(7,995)	\$59,733



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Highland County Family and Children First Council
Highland County
1575 North High Street
Hillsboro, OH 45133

To the Council:

We have audited the financial statements of the Highland County Family and Children First Council, Highland County, Ohio (the Council), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 22, 2011, wherein we noted the Council prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated November 22, 2011.

We intend this report solely for the information and use of management, Council Members, Administrative Agent Highland County Commissioners, and others within the Council. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 22, 2011

**HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Help Me Grow Program- Material Weakness/Material Noncompliance

2 CFR 225 (A-87), Appendix A, para. C(1)(j) states in part: to be allowable under federal awards, costs must be adequately documented.

The Highland County Family and Children First Council (Council) received Help Me Grow grant monies from the Ohio Department of Health. During state fiscal year ending June, 30, 2009, the Highland County Family & Children Council sub-contracted with the Highland County Department of Developmental Disabilities (DD) to provide services to administer the Council's Help Me Grow Grant. During state fiscal year 2010 (July 1, 2009 to June 30, 2010), DD continued to provide services to administer the program through December 2009, however no sub-agreement contract was signed between the Council and DD.

The Highland County Family & Children Council, the Highland County Auditor who serves as fiscal agent, and the Highland County Commissioners who serve as administrative agent, did not demonstrate management oversight for the Help Me Grow grant monies provided by the Ohio Department of Health.

The County Superintendent of DD submitted vouchers to the County Auditor on behalf of the Council for reimbursement of expenditures made by DD from the DD Help Me Grow S-28 fund.

We noted the following deficiencies in the internal controls related to the accounting processes of the grant program:

- The Council did not provide evidence that payments of Help Me Grow grant monies to DD were approved prior to payment to the DD Help Me Grow S-28 fund;
- The County Superintendent of DD initiated vouchers to reimburse the S-28 fund. These vouchers were not signed by any Council officials or by DD prior to being submitted to the county auditor;
- Council expenditures in the amount of \$46,698 were included in direct payments to the DD Help Me Grow S-28 fund and were also allocated and billed again as part of a monthly allocation;
- A council expenditure in the amount of \$13,000 was a direct payment to DD General Fund S-00. Supporting documentation indicated this was for repayment of an advance the DD S-00 fund made to the S-28 fund to cover payroll;
- Voucher packets attached to warrants for payments to the DD Help Me Grow S-28 fund did not have adequate supporting documentation including:
 - Warrant 33841 was written to Help Me Grow (DD) in the amount of \$8,364, on 6/24/09. The Voucher packet had "white-out" marked over the initial amount and \$8,634 was written on the voucher. The supporting documentation attached to the voucher was for allocated expenditures in the amount of \$717, leaving an unsupported amount of \$7,917.
 - Warrant 44367 was written to Help Me Grow (DD) in the amount of \$9,000, on 12/11/09. Attached detail indicated it was for the reimbursement of the 12/11/09 and 12/25/09 payrolls. Additionally, the amount of the expenditure did not agree to supporting detail.

**FINDING NUMBER 2010-001
 (Continued)**

- Warrant 35227 was written to Help Me Grow (DD) in the amount of \$26,870. The supporting detail showed that the FCFC portion of the allocated expenditures was \$632 leaving an unsupported balance of \$26,238.
- The Council's Help Me Grow grant receipt in the amount of \$13,426 was paid into the DD fund S-28 by the DD Superintendent and the Fiscal Agent, rather than being properly deposited into the Council's fund then paid over to the DD. The Council was unaware of this transaction which resulted in under-reported receipts to the Council's fund and under-reported expenditures for the Council's payment to DD.

The following audit adjustments were posted the Council's accounting records and are reflected accompanying financial statements to properly report the receipt and expenditure of this grant money.

Fund	Amount	Description
S-26	\$13,426	Increase intergovernmental receipt
S-26	13,426	Increase contract services expenditure

As a result of the lack of oversight of the Help Me Grow grant, \$59,698 was billed to the Help Me Grow Fund erroneously. Additionally the Council paid \$45,285 to DD in excess of the sub-contracted amount for State Fiscal Year 2009. Had this been an A-133 OMB audit, the supporting documentation would not have been adequate and would have resulted in questioned federal costs.

Failure to maintain proper internal controls over grant monies could result in loss of future grant funds.

We recommend the following to improve accountability over grant expenditures:

- The Council should enter into a sub-agreement contract for provider services;
- The Council should monitor payments to providers to ensure that they are within contracted amounts;
- The Council should review supporting documentation and approve all expenditures to ensure that they are for allowable expenditures;
- The Council should initiate all transactions of the council and not allow providers to submit vouchers to the County Auditor;
- The Council should receipt grant monies directly into the Council's funds;
- The Council should refuse to issue payments for any expenditure that lacks supporting documentation.
- The DD and the Fiscal Agent should take due care when depositing funds to insure that the deposit is made to the correct fund.

FINDING NUMBER 2010-002

Help Me Grow Subcontract- Material Weakness

OMB Circular A-133, Subpart C, Section .300 states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of the contracts or grant agreements.

The Highland County Family & Children Council entered in to a sub-contract in the amount of \$94,578 with the Highland County Department of Developmental Disabilities (DD) to provide services to administer the Council's Help Me Grow Grant for the period July 1, 2008 to June 30, 2009.

The Council did not properly monitor expenditures related to the contract. As a result of lack of monitoring, expenditures exceed the contract amount. The Council paid DD \$139,863 during the contract period, which exceeded the contract amount by \$45,285. During state fiscal year 2010 (July 1, 2009 to June 30, 2010), DD continued to provide services to administer the program until December 2009, however no sub-agreement contract was signed between the Council and DD.

Failure to monitor contract expenditures could result in loss of grant funding, overspending, and negative fund balances.

The Council should monitor payments to providers to ensure that they are within contracted amounts. The Council should review supporting documentation and approve all expenditures to ensure that they are for allowable expenditures.

FINDING NUMBER 2010-003

Help Me Grow Billings- Material Weakness/Material Noncompliance

2 CFR 225 (A-87), Appendix A, para. C(1)(f) states in part: To be allowable under federal awards, costs must be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal awards as an indirect cost.

2 CFR 225 (A-87), Appendix A, para. C(1)(h) states in part: To be allowable under federal awards, costs must not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current, or a prior period, except as specifically provided by federal law or regulation.

The Council received Help Me Grow grant money from the Ohio Department of Health. The Council sub-contracted with Highland County Department of Developmental Disabilities (DD) to administer the Help Me Grow program. DD billed the Council monthly using an allocation of program expenditures based on the number of clients served. We identified directly billed payments from the Council to DD for expenditures that had been included in the monthly allocation. This resulted in duplicate payments for the same service. We noted a payment from Council to DD that was for repayment of an advance that was between DD funds.

**FINDING NUMBER 2010-003
 (Continued)**

The following duplicate payments to the DD S-28 Help Me Grow fund or DD S-00 General Fund from the Council's S-26 fund.

Date	Warrant #	Amount	Description
3/18/09	29666	\$17,710	Reimbursement for the Newborn Home visits provided by HCCAO
3/25/09	29938	13,000	Repayment of Advance between DD Funds for Payroll
4/18/09	30511	7,414	Reimbursement for payroll
5/6/09	31681	21,574	Reimbursement for quarterly expenditures
	Total	\$59,698	

In addition to the aforementioned problems with the expenditures, we also noted the following during our review of the supporting documentation attached to the vouchers for these expenditures:

- DD entered into a contract for the Welcome Home Program for Newborn Visits with the Highland County Community Action Organization, Inc. (HCCAO). The contract called for HCCAO to provide Newborn Home Visits, not to exceed \$17,710. The voucher for warrant #29666 was for reimbursement of payments to HCCAO in the amount of \$17,710 and the supporting documentation was a copy of the contract. There was no supporting documentation showing that the DD had paid HCCAO warranting a reimbursement of \$17,710. We confirmed amounts paid to HCCOA from DD only totaled \$16,280.
- Supporting documentation attached to the voucher for warrant #31681 is an email noting 1st and 2nd quarter billings for several expenditure line items. The total of the billings is \$21,187; however the warrant was issued in the amount of \$21,574. All the listed expenditures had already been included on the monthly allocations. Had this been a single audit, the supporting detail would not have been adequate and would have resulted in federal questioned costs.

On December 1, 2011, the Council received a check in the amount of \$59,698 from the Highland County Board of Developmental Disabilities as repayment for the above duplicate payments.

FINDING NUMBER 2010-004

Reporting Special Revenue Funds - Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Council has named the Highland County Board of County Commissioners as its administrative agent. The Highland County Auditor serves as the fiscal agent. The Council's General (unrestricted) and Special Revenue (restricted) funds that were presented, were comingled in one fund on the county's accounting system. The accounting system's functions and object codes did not facilitate the tracking of expenditures to the Council's Annual Financial Report. The present accounting system does not identify which expenditures relate to each line item. This results in a cumbersome reconstruction of the Council's financial activity for financial reports. Comingling special revenue funds in the General fund resulted in the following fund balance restatements:

**FINDING NUMBER 2010-004
 (Continued)**

Fund	Fund Balance at 12/31/08	Restatement Amount	Restated Fund Balance at 01/01/09
Non-BH Fund	\$0	\$5,635	\$5,635
FCSS/FAST Fund	0	127	127
Children's Trust Fund	0	233	233
Partnership for Success Fund	0	2,000	2,000
General Fund	67,728	(7,995)	59,733

In addition, the Council's Help Me Grow funds which were comprised of S-26 and S-60 were not reported in the Council's Annual Financial Report. Financial activity for the Council's S-26 and S-60 funds are summarized below:

Year	Beginning Balance	Receipts	Disbursements	Ending Balance
2009	\$64,585	\$176,450	\$219,295	\$21,830
2010	\$21,830	320,832	261,581	81,081

Failure to report this fund resulted in materially misstated fund balances, receipts and disbursements for the Council for 2009 and 2010. Audit adjustments were posted to the Council's accounting records and are reflected on the accompanying financial statements to properly report the classification of expenditures and the accounting transactions of the S-26 and S-60 funds. Also, the lack of accurate accounting records could adversely affect management's decisions.

To aid in the accurate classification of expenditures in the Council's Annual Financial Report, we recommend the Council maintain records to clearly present the Council's financial activity. The records should be sufficiently detailed to identify each of the Council's restricted and unrestricted fund's expenditures by line item. Furthermore, the Council should classify expenditures to aid in proper reporting and reconcile records with the financial information provided by the County Auditor.

We did not receive a response from officials to the findings above.

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Dave Yost • Auditor of State

HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL

HIGHLAND 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
DECEMBER 20, 2011**