



Dave Yost • Auditor of State

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
212 Cook Road
Lebanon, Ohio 45036

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (Recovery Services), as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Recovery Services' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of Recovery Services' internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, Recovery Services prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Recovery Services as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Mental Health Recovery Services of Warren and Clinton Counties, Warren County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The federal awards expenditure schedule presents additional analysis required by the 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. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subjected to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of Recovery Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Recovery Services' internal control over financial reporting and compliance.



Dave Yost
Auditor of State

April 30, 2013

**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
WARREN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash Receipts	
Taxes	\$5,007,745
Intergovernmental	
Federal	870,494
State	8,247,816
Grants	60,238
Other Receipts	<u>86,845</u>
<i>Total Cash Receipts</i>	<u>14,273,138</u>
Cash Disbursements	
Current:	
Salaries	503,340
Fringe Benefits	121,398
Supplies & Repairs	21,589
Purchased Services	212,705
Contract Disbursements - Federal	863,102
Contract Disbursements - State	7,220,871
Contract Disbursements - Local	5,477,839
Refunds to Funding Sources	19,571
Capital Equipment	35,376
Dues, Fees, Travel & Other	<u>142,115</u>
<i>Total Cash Disbursements</i>	<u>14,617,906</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(344,768)</u>
Other Financing Receipts	
Reimbursements	48,446
Other Sources	<u>0</u>
<i>Total Other Financing Receipts</i>	<u>48,446</u>
<i>Net Change in Fund Cash Balances</i>	(296,322)
<i>Fund Cash Balances, January 1, 2012</i>	<u>11,100,158</u>
Fund Cash Balances, December 31, 2012	
Restricted	125,319
Assigned	4,115,534
Unassigned	<u>6,562,981</u>
<i>Fund Cash Balances, December 31, 2012</i>	<u>\$10,803,834</u>

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

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**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health Recovery Services of Warren & Clinton Counties, Warren County, Ohio (Recovery Services), as a body corporate and politic. An eighteen-member Board is the governing Body. The Board's Director and the legislative authorities of the political subdivisions making up the Board appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are the Ohio Department of Mental Health, the Ohio Department of Alcohol and Drug Addiction Services, and the County Commissioners of both Warren and Clinton Counties.

Recovery Services provides alcohol, drug addiction and mental health services and programs to citizens of Warren and Clinton Counties. Private and public agencies are the primary service providers, through Recovery Services contracts.

Recovery Services management believes these financial statements present all activities for which Recovery Services is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash

As required by the Ohio Revised Code, the Warren County Treasurer is custodian for Recovery Services deposits. The County's deposit and investment pool holds Recovery Services assets, valued at the 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 type:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires Recovery Services to adopt a budget for each fund annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 budgetary activity appears in Note 2.

F. Fund Balance

For December 31, 2012, fund balance is divided into five classifications based primarily on the extent to which Recovery Services must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Recovery Services had no fund balances in this classification at December 31, 2012.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions by the Board members. Those committed amounts cannot be used for any other purpose unless the Board members remove the specified use by taking the same type of action imposing the commitment. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. Recovery Services had no fund balances in this classification at December 31, 2012.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Recovery Services or a Board official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

Recovery Services policy is to apply restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

Recovery Services records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

2. Budgetary Activity

Budgetary activity for the year ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,953,577	\$14,321,582	\$1,368,005
Total	\$12,953,577	\$14,321,582	\$1,368,005

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,288,396	\$16,269,844	\$6,018,552
Total	\$22,288,396	\$16,269,844	\$6,018,552

3. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by February 29. If the property owner elects to pay semiannually, the first half is due February 29. The second half payment is due the following July 25.

Public utilities are also taxed on personal and real property located within Warren and Clinton Counties.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

4. Retirement Systems

Recovery Services' employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OPERS members contributed 10% of their gross salaries and the Board contributed an amount equaling 14% of participants' gross salaries. The Board has paid all contributions required as of December 31, 2012.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

5. Risk Management

Commercial Insurance

Recovery Services has obtained commercial insurance for the following risks:

- Directors and Officers insurance;
- Comprehensive property and general liability;
- Bond Insurance and
- Errors and omissions.

Recovery Services also provides health insurance and dental coverage to its employees through a private carrier which is provided through its fiscal agency, Warren County.

6. Contingent Liabilities

Grants

Amounts grantor agencies pay to Recovery Services are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Medicaid Funding

Effective July 1, 2011 the match requirements under the Medicaid program transitioned to the State of Ohio. As such, Recovery Services will act only in a vendor capacity. Effective July 1, 2012, the processing of Medicaid services was elevated to the State of Ohio therefore decreases in both Medicaid receipts and expenditures will result.

7. Lease Revenue

Recovery Services has entered into a lease as lessor with Solutions Community Counseling and Recovery Centers, Inc. (SRC) , a funded agency of Recovery Services for the following locations:

- 204 Cook Road, Lebanon, Ohio
- 201 Reading Road, Mason, Ohio

Rental Income for the year ended December 31, 2012 totaled \$86,844.

8. Long-Term Obligations

Recovery Services has entered into two non-interest bearing mortgage agreements with the Ohio Department of Mental Health. In accordance with the mortgage agreements, the loans are forgiven by the State of Ohio over a period of 40 years, under the condition that the facilities are used exclusively for the purpose of providing mental health services.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

8. Long-Term Obligations (Continued)

As of December 31, 2012, these obligations consist of:

Mortgage, ODMH, original loan balance of \$245,450, non-interest Bearing note, forgiven by ODMH in monthly installments of \$511, Term expiring January 2020. Location: 204 Cook Road, Lebanon, Ohio	\$43,361
Mortgage, ODMH, original loan balance of \$230,000, non-interest Bearing note, forgiven by ODMH in monthly installments of \$483, Term expiring January 2028. Location: 201 Reading Road, Mason, Ohio	\$86,745
Total Outstanding Obligation	\$130,106

Principal amounts of long-term obligations are expected to be forgiven for the following periods:

Year Ending:	
12/31/13	\$11,928
12/31/14	\$11,928
12/31/15	\$11,928
12/31/16	\$11,928
12/31/17	\$11,928
2018-2022	\$41,681
2023-2027	\$28,302
2028	\$ 483
	\$130,106

Principal forgiven by ODMH during the year ended December 31, 2012 totaled \$11,928

9. Fund Balance Classification

Fund balance is classified as nonspendable, restricted, committed assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	<u>General Fund</u>
Restricted by:	
Grants	\$5,198
Mental Health, drug and alcohol programs and related administration	\$89,580
Medical Assistance Programs (Title XIX)	\$30,541
Total Restricted	\$125,319

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

9. Fund Balance Classification (Continued)

Assigned by:

Encumbrances	\$1,651,937
Reserve	<u>\$2,463,597</u>
Total Assigned	\$4,115,534
Unassigned	<u>\$6,562,981</u>
Total Fund Balance	\$10,803,834

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**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
WARREN COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
Block Grants for Prevention & Treatment of Substance Abuse	N/A	93.959	\$655,845
<i>Passed Through Ohio Department of Mental Health</i>			
Block Grant for Community Mental Health Services	N/A	93.958	142,716
Social Services Block Grant (Title XX)	N/A	93.667	104,901
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
Medical Assistance Program (Title XIX)	N/A	93.778	373
<i>Passed Through Ohio Department of Mental Health</i>			
Medical Assistance Program (Title XIX)	N/A	93.778	35,436
Total Medical Assistance Program (Title XIX)			<u>35,809</u>
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
State Childrens Insurance Program (SCHIP-Title XIX)	N/A	93.767	2,888
<i>Passed Through Ohio Department of Mental Health</i>			
State Childrens Insurance Program (SCHIP-Title XIX)	N/A	93.767	<u>2,557</u>
Total Medical Assistance Program for Kids (SCHIP-Title XIX)			5,445
Total U.S. Department of Health and Human Services			<u>944,716</u>
Total			<u>\$ 944,716</u>

The accompanying notes are an integral part of this schedule.

**MENTAL HEALTH AND RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Recovery Services' federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require Recovery Services' to contribute non-Federal funds (matching funds) to support the Federally-funded programs. Recovery Services' has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
212 Cook Road
Lebanon, Ohio 45036

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (Recovery Services), as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated April 30, 2013 wherein we noted Recovery Services followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Recovery Services' internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Recovery Services' internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Recovery Services' financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether Recovery Services' 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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of Recovery Services' internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Recovery Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

April 30, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
212 Cook Road
Lebanon, Ohio 45036

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Mental Health Recovery Services of Warren and Clinton Counties', Warren County, Ohio (Recovery Services), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mental Health Recovery Services of Warren and Clinton Counties' major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies Recovery Services' major federal program.

Management's Responsibility

Recovery Services' Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on Recovery Services' compliance for each of Recovery Services' major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about Recovery Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on Recovery Services' major program. However, our audit does not provide a legal determination of Recovery Services' compliance.

Opinion on the Major Federal Program

In our opinion, the Mental Health Recovery Services of Warren and Clinton Counties complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Recovery Services' management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered Recovery Services' internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Recovery Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

April 30, 2013

**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 14, 2013