



**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL
HEALTH SERVICES BOARD
MERCER COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Report of Independent Accountants | 1 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Governmental Fund Type – For the Fiscal Year Ended June 30, 1999 | 3 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Governmental Fund Type – For the Period Ended June 30, 1998 | 4 |
| Notes to the Financial Statements | 5 |
| Schedule of Federal Awards Expenditures - For the Fiscal Year Ended June 30, 1999 | 9 |
| Schedule of Federal Awards Expenditures - For the Fiscal Period Ended June 30, 1998 | 10 |
| Notes to Schedule of Federal Awards Expenditures | 11 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 13 |
| 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 |
| Schedule of Prior Audit Findings | 20 |
| Corrective Action Plan | 21 |

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert, and Paulding Counties
1054 South Washington Street, Suite A
Van Wert, Ohio 45891

To Members of the Board:

We have audited the accompanying financial statements of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board, Mercer, Van Wert, and Paulding Counties, Ohio, (the Board) as of and for the year ended June 30, 1999 and the period ended June 30, 1998. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in Note 2 to the financial statements, as of January 1, 1998, the Board, as permitted by Section 9.34 of the Ohio Revised Code, converted its fiscal year from the 12 months ending December 31, to the 12 months ending June 30.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Board as of June 30, 1999 and June 30, 1998, and its cash receipts and disbursements for the year and period then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2000 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

We have audited the financial statements of the Board as of and for the years ended June 30, 1999 and 1998, and we have issued our report thereon dated March 21, 2000. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

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

Jim Petro
Auditor of State

March 21, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | <u>General</u> |
|--|-------------------------|
| Cash Receipts: | |
| Taxes | \$902,321 |
| Grants | 3,228,670 |
| Gifts, Donations, and Bequests | 3,908 |
| Other Receipts | <u>15,987</u> |
| Total Cash Receipts | <u>4,150,886</u> |
| Cash Disbursements: | |
| Current: | |
| Salaries | 174,076 |
| Supplies | 6,628 |
| Equipment | 33,461 |
| Grants | 3,767,670 |
| Rentals | 12,716 |
| Advertising and Printing | 2,096 |
| Travel | 11,988 |
| Public Employee's Retirement | 34,245 |
| Other | <u>100,017</u> |
| Total Disbursements | <u>4,142,897</u> |
| Total Receipts Over/(Under) Disbursements | <u>7,989</u> |
| Other Financing Receipts/(Disbursements): | |
| Refunds | 75,807 |
| Shared Provider Costs | <u>(75,807)</u> |
| Total Other Financing Receipts/(Disbursements) | <u>0</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 7,989 |
| Fund Cash Balance, July 1 | <u>788,213</u> |
| Fund Cash Balance, June 30 | <u><u>\$796,202</u></u> |
| Reserves for Encumbrances, June30 | <u><u>\$86,323</u></u> |

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE PERIOD ENDED JUNE 30, 1998**

| | <u>General</u> |
|--|-------------------------|
| Cash Receipts: | |
| Taxes | \$405,912 |
| Intergovernmental | 1,717,871 |
| Other Receipts | <u>19,934</u> |
| Total Cash Receipts | <u>2,143,717</u> |
| Cash Disbursements: | |
| Current: | |
| Salaries | 85,678 |
| Supplies | 2,866 |
| Equipment | 4,008 |
| Contracts - Services | 303 |
| Grants | 1,932,546 |
| Rentals | 4,950 |
| Advertising and Printing | 3,103 |
| Travel | 4,236 |
| Public Employee's Retirement | 11,603 |
| Worker's Compensation | 1,010 |
| Other | <u>43,181</u> |
| Total Disbursements | <u>2,093,484</u> |
| Total Receipts Over/(Under) Disbursements | <u>50,233</u> |
| Other Financing Receipts/(Disbursements): | |
| Refunds | 64,527 |
| Shared Provider Costs | <u>(40,460)</u> |
| Total Other Financing Receipts/(Disbursements) | <u>24,067</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 74,300 |
| Fund Cash Balance, January 1 | <u>713,913</u> |
| Fund Cash Balance, June 30 | <u><u>\$788,213</u></u> |
| Reserves for Encumbrances, June 30 | <u><u>\$108,546</u></u> |

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tri-County Alcohol, Drug Addiction and Mental Health Services Board, Mercer, Van Wert, and Paulding Counties, (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board was organized for the purpose of establishing community alcohol, drug addiction and mental health service programs, and to provide community services for mentally ill and emotionally disturbed persons, and community alcohol and drug awareness and prevention programs.

The Board is directed by an eighteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Mercer, Van Wert, and Paulding Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash

As required by Ohio Revised Code, the Board's cash is held and invested by the Mercer County Treasurer, who acts as custodian for Board monies. The Board's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

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

Governmental Fund Type

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.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Board.

2. CHANGE IN FISCAL YEAR

As permitted by Ohio Revised Code Section 9.34, effective January 1, 1998, the District converted its fiscal year from the 12 months ending December 31, to the 12 months ending June 30. To accomplish this conversion, the period January 1, 1998, to June 30, 1998, has been designated a fiscal year for financial reporting and budgetary purposes.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 1998 and 1999 follows:

| Fund Type | 1999 Budgeted vs. Actual Receipts | | Variance |
|-----------|-----------------------------------|-----------------|-----------|
| | Budgeted Receipts | Actual Receipts | |
| General | \$4,096,525 | \$4,226,693 | \$130,168 |

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$4,177,193 | \$4,305,027 | (\$127,834) |

| 1998 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$2,069,669 | \$2,208,244 | \$138,575 |

| 1998 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,083,591 | \$2,242,490 | (\$158,899) |

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Board's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Board contributed an amount equal to 13.55% of participants' gross salaries. The Board has paid all contributions required through June 30, 1999.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

6. RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

- Comprehensive property
- General Liability
- Employee Benefit Plan Wrongful Acts
- Professional Liability
- Vehicles
- Crimes

The Board also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Project Number | Award Amount | Disbursements |
|---|---------------------------|---------------------|-----------------|----------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| <i>Passed Through Ohio Department of Mental Health:</i> | | | | |
| Housing Assistance Program | 93.958 | SFY99 | \$21,843 | \$21,843 |
| Community Block Grant | 93.958 | SFY99 | 39,000 | 39,000 |
| Children/Adolescent Block Grant | 93.958 | SFY99 | 26,365 | <u>26,365</u> |
| Total Block Grants for Community Mental Health Services | | | | 87,208 |
| Social Services Block Grant | 93.667 | SFY99 | 52,737 | 52,737 |
| Medical Assistance Program | 93.778 | SFY99 | N/A | <u>578,876</u> |
| Total Passed Through the Ohio Department of Mental Health | | | | 718,821 |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> | | | | |
| Alcohol, Drug and Rehabilitation Block Grant | 93.959 | SFY99 | 296,438 | 296,438 |
| Women's Set Aside Grant | 93.959 | 54-54554-01-W-T-99 | 232,977 | <u>232,977</u> |
| Total Substance Abuse Prevention and Treatment Block Grant | | | | 529,415 |
| Medical Assistance Program | 93.778 | SFY99 | N/A | <u>27,284</u> |
| Total Passed Through the Ohio Department of Alcohol and Drug Addiction Services | | | | <u>556,699</u> |
| Total U.S. Department of Health and Human Services | | | | 1,275,520 |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> | | | | |
| Drug Free Schools | 84.186A | 54-54537-0-DFS-P-99 | 51,250 | <u>51,250</u> |
| Total U.S. Department of Education | | | | <u>51,250</u> |
| Total Federal Assistance | | | | <u><u>\$1,326,770</u></u> |

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 1998**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Project Number | Award Amount | Disbursements |
|---|---------------------------|-------------------------|-----------------|-----------------------|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| <i>Passed Through Ohio Department of Mental Health:</i> | | | | |
| Housing Assistance Program | 93.958 | SFY98 | 21,843 | \$15,473 |
| Community Block Grant | 93.958 | SFY98 | 39,000 | 19,500 |
| Children/Adolescent Block Grant | 93.958 | SFY98 | 26,365 | <u>13,183</u> |
| Total Block Grants for Community Mental Health Services | | | | 48,156 |
| Social Services Block Grant | 93.667 | SFY98 | | 67,686 |
| Medical Assistance Program | 93.778 | SFY98 | N/A | <u>291,347</u> |
| Total Passed Through the Ohio Department of Mental Health | | | | 407,189 |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> | | | | |
| Alcohol, Drug and Rehabilitation Block Grant | 93.959 | SFY98 | 285,121 | 190,081 |
| Women's Set Aside Grant | 93.959 | 54-54553-01-W-T-98 | 161,029 | <u>107,349</u> |
| Total Substance Abuse Prevention and Treatment Block Grant | | | | 297,430 |
| Medical Assistance Program | 93.778 | SFY98 | N/A | 17,828 |
| JOBS Grant | 93.558 | 54-54553-01-JOBS-T-98 | 13,556 | <u>13,556</u> |
| Total Passed Through the Ohio Department of Alcohol and Drug Addiction Services | | | | <u>328,814</u> |
| Total U.S. Department of Health and Human Services | | | | 736,003 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> | | | | |
| Drug Free Schools | 84.186A | 54-54537-01-DFS-P-98 | 53,745 | 35,069 |
| DARE & STAR Program Expansion | 84.186A | 54-54537-02-DFSDAR-P-98 | 20,500 | <u>10,020</u> |
| Total U.S. Department of Education | | | | <u>45,089</u> |
| Total Federal Assistance | | | | <u><u>781,092</u></u> |

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999 AND THE PERIOD ENDED JUNE 30, 1998**

1. SIGNIFICANT ACCOUNTING POLICIES

The schedule of federal awards expenditures is presented on a cash basis of accounting. All grants are reimbursing grants, therefore expenditures are recognized when the revenues are received.

2. SUB-RECIPIENTS

The Board obtains grants through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and contracts with sub-recipient agencies for providing services. The Board is responsible for monitoring the services and grant compliance of the sub-recipient provider agencies.

As reported in finding number 1999-60254-002 in the accompanying schedule of findings, the Board only utilizes a general fund in which all federal, state, and local expenditures are combined, the Board is unable to identify the amount of federal funding from each federal grant which was distributed to each sub-recipient. Combined federal, state, and local funding sources are combined into a "Board Subsidy" amount for the contracts with the sub-recipient agencies.

The Women's Set Aside grants are approved separately for provider agencies and expenditures to each sub-recipient can be identified.

Ohio Department of Mental Health

Grants from the ODMH are passed through the Board to the Mercer County Mental Health Center, Inc., Foundations Behavioral Health Services (Mercer County Mental Health service provider agency), Paulding County Comprehensive Mental Health Services, Inc., and The Stepping Stones Center (Van Wert County Mental Health service provider agency).

| | |
|---|-----------|
| Total Board Subsidy expenditures to ODMH provider agencies for 1999 were: | |
| Foundations Behavioral Health Services | \$483,437 |
| Paulding County Comprehensive Mental Health Services, Inc. | 202,661 |
| The Stepping Stones Center | 494,286 |

| | |
|---|------------|
| Total Board Subsidy expenditures to ODMH provider agencies for 1998 were: | |
| Mercer County Mental Health Center, Inc. | \$ 265,529 |
| Paulding County Comprehensive Mental Health Services, Inc. | 128,945 |
| The Stepping Stones Center | 233,137 |

Ohio Department of Alcohol and Drug Addiction Services

Grants from the ODADAS are passed through the Board to the Mercer County Alcohol and Drug Abuse Center, Inc. (dba Gateway Outreach Center), Paulding County Alcohol and Drug Services, Inc., and Fountainview Center (Van Wert County Alcohol and Drug Addiction service provider agency).

| | |
|---|------------|
| Total Board Subsidy expenditures to ODADAS provider agencies for 1999 were: | |
| Mercer County Alcohol and Drug Abuse Center, Inc. | \$ 156,655 |
| Paulding County Alcohol and Drug Services, Inc. | 107,528 |
| Fountainview Center | 220,337 |

| | |
|---|-----------|
| Total Board Subsidy expenditures to ODADAS provider agencies for 1998 were: | |
| Mercer County Alcohol and Drug Abuse Center, Inc. | \$ 71,969 |
| Paulding County Alcohol and Drug Services, Inc. | 50,373 |
| Fountainview Center | 107,751 |

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert, and Paulding Counties
1054 South Washington Street, Suite A
Van Wert, Ohio 45891

To Members of the Board:

We have audited the accompanying financial statements of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board, Mercer, Van Wert and Paulding Counties, Ohio (the Board), as of and for the year ended June 30, 1999 and period ended June 30, 1998, and have issued our report thereon dated March 21, 2000, wherein we noted the Board converted its fiscal year from the 12 months ending December 31, to the 12 months ending June 30. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-60254-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Board in a separate letter dated March 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 Board in a separate letter dated March 21, 2000.

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert and Paulding Counties
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 21, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert, and Paulding Counties
1054 South Washington Street, Suite A
Van Wert, Ohio 45891

To Members of the Board:

Compliance

We have audited the compliance of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board, Mercer, Van Wert and Paulding Counties, Ohio (the Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999 and the period ended June 30, 1998. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

As described in item 1999-60254-002 in the accompanying schedule of findings, the Board did not comply with requirements regarding reporting that is applicable to its Substance Abuse Prevention and Treatment Block Grant, CFDA # 93.959. Compliance with such requirements is necessary, in our opinion, for the Board to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999 and the period ended June 30, 1998.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Board's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings as items 1999-60254-002 and 1999-60254-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-60254-002 to be a material weakness.

This report is intended for the information and use of management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 21, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999 AND 1998**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Qualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Yes |
| (d)(1)(vii) | Major Programs (list): | Medical Assistance Program CFDA # 93.778 SAPT Grant 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? | No |

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999 AND 1998
(Continued)**

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

FINDING NUMBER 1999-60254-001

Noncompliance Citation

Ohio Rev. Code Section 5705.09 states that each subdivision is required to establish the following funds:

- 7 General Fund;
 - A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;

The Board receives several state and federal grants and allocations which require funds to be used for a particular purpose.

The lack of separate funds inhibits the ability to adequately track and determine if funds were expended for the purpose intended and prohibits the county auditor from providing the required detail.

A special revenue fund should be created for each source of revenue requiring use for a particular purpose.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|------------------------------------|--|
| Finding Number | 1999-60254-002 |
| CFDA Title and Number | 93.959 Substance Abuse Prevention and Treatment Block |
| Federal Award Number / Year | |
| Federal Agency | U. S. Department of Health and Human Services |
| Pass-Through Agency | Ohio Department of Alcohol and Drug Addiction Services |

NONCOMPLIANCE/MATERIAL WEAKNESS - REPORTING

Per 45 CFR 92.20 (b)(2), grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

The Board does not maintain separate accounting records, or funds, for each source of federal revenue, nor can it readily provide records to identify payments to and the use of funds by the subrecipients.

A special revenue fund should be created for each source of revenue requiring use for a particular purpose.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999 AND 1998
(Continued)**

| | |
|------------------------------------|--|
| Finding Number | 1999-60254-003 |
| CFDA Title and Number | 93.778 - Medical Assistance Program |
| Federal Award Number / Year | |
| Federal Agency | U. S. Department of Health and Human Services |
| Pass-Through Agency | Ohio Department of Alcohol and Drug Addiction Services & |
| | Ohio Department of Mental Health |

REPORTABLE CONDITION

The contract between the Board and the Ohio Department of Mental Health and the contract between the Board and the Ohio Department of Alcohol and Drug Addiction state "Reimbursement will be made and is subject to the availability of public matching funds. The amount of public matching funds designated as match by the Sub-provider must be sufficient to match the reimbursement level of each service type billed through this contract. For this contract, public funds are defined as those funds received or collected under the color of public office and include such sources as state subsidy and local levy. Public funds do not include sources as donated funds. In the event that appropriate local matching funds are not available, reimbursement will not be made."

The Board does not maintain separate accounting records or funds to adequately identify the source of the matching funds.

Failure to properly identify the source of the matching funds could result in the loss of Federal reimbursement.

A fund should be established for each source of revenue, federal, state, and local, in order to identify the source of the matching funds.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 1999 AND 1998

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|-----------------------|--|-------------------------|---|
| 1997-60254-001 | Revised Code 340.10 - Inadequate segregation of federal funds. | Partially corrected | The Alcohol, Drug Addiction and Mental Health Services Board (the Board) maintains its own set of accounting records in order to keep more detailed records than are maintained by the fiscal agent. The records maintained by the Board are reconciled with fiscal agent records on a monthly basis. The Board is in the process of refining its accounting system to adequately segregate grant monies. See 1997-60254-002 below. |
| 1997-60254-002 | Revised Code 5705.09 - Not establishing special funds. | No | Additional steps are being undertaken to refine the Board's accounting ledgers so that a special revenue fund will be created for each source of funds and expenditures from these sources will be separately identified. See Schedule of Findings item 1999-60254-001. |
| 1997-60254-003 | Revised Code 5705.38 - Appropriations measure not passed on timely basis. | Yes | Finding no longer valid. |
| 1997-60254-004 | Code of Federal Regulations 45/92.20 (b) (2) - Not properly segregating federal funds. | No | Additional steps are being undertaken to refine the Board's accounting ledgers so that a special revenue fund will be created for each source of funds and expenditures from these sources will be separately identified. See Schedule of Findings item 1999-60254-002. |
| 1997-60254-005 | Code of Federal Regulations 45/92.20 (b) (2) - Inadequate monitoring of sub-recipient. | Yes | The Board has contracted with an accounting firm to perform agreed upon procedures engagements for all providers. These procedures were performed for fiscal year 1999. |
| 1997-60254-006 | Code of Federal Regulations 45/92.20 (b) (7) - untimely disbursement of funds. | Yes | The Board is maintaining a ledger showing the date of receipt and the date of disbursement to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. Also, the sub-recipients are providing monthly financial statements to the Board in order to more efficiently monitor the needs of the sub-recipient. |

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 1999 AND 1998

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 1999-60254-001 | Noncompliance Citation: Four revenue funds have been established to identify federal resources separately from state and/or local levy revenues. Additional revenue funds will be documented in this board's general ledger (i.e. a general fund for local levy revenues) to insure that confirmation that the funds are expended for the purpose intended can be detailed. | 07/01/00 | Nancy A. Taylor |
| 1999-60254-002 | Noncompliance/Material Weakness-Reporting: Individual revenue and expense accounts have already been created in the board ledger to identify receipt of funds and payments made to the subrecipients for each source of federal revenue. This action was taken after completion of the calendar year 1997 State audit. As approval has been granted to change the audit period for this board to match the state funding fiscal year of July 1 – June 30, the current audit was completed for an 18 month period, January 1, 1998 – June 30, 1999. The corrective action was completed January 31, 1999. As a result, for 12 months of the current audited period this finding existed. | 07/01/00 | Nancy A. Taylor |
| 1999-60254-003 | Reportable Condition: Additional, separate account numbers will be added to the board's ledger and assigned as (1) a General Cash fund and (2) as expense accounts for disbursement of local levy dollars. This will allow tracking and verification that contracts between the board and state departments requiring that reimbursement will be made as subject to the availability of public matching funds can be confirmed. | 07/01/00 | Nancy A. Taylor |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

TRI COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD

MERCER 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
JUNE 8, 2000**