



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Warren County Family and Children First Council
Warren County
416 South East Street
Lebanon, Ohio 45036

To the Members of Council:

We have audited the accompanying financial statements of the Warren County Family and Children First Council, Warren County, Ohio (the Council), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipts and disbursement transactions.

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

In our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Council, as of December 31, 2001 and 2000, and its combined unclassified cash receipts and unclassified cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2002 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Audit Committee, management, Warren County Family and Children First Council members, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 18, 2002

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Totals (Memorandum Only)
Total Cash Receipts	\$20,000	\$788,354	\$808,354
Total Disbursements	38,342	668,787	707,129
Total Receipts Over/(Under) Disbursements	(18,342)	119,567	101,225
Fund Cash Balances, January 1, 2001	140,856	52,616	193,472
Fund Cash Balances, December 31, 2001	\$122,514	\$172,183	\$294,697

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

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Totals (Memorandum Only)
Total Cash Receipts	\$49,330	\$266,976	\$316,306
Total Disbursements	9,374	217,531	226,905
Total Receipts Over Disbursements	39,956	49,445	89,401
Fund Cash Balances, January 1, 2000	100,900	3,171	104,071
Fund Cash Balances, December 31, 2000	\$140,856	\$52,616	\$193,472

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

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. DESCRIPTION OF THE ENTITY

Section 121.37, Revised Code, created the Ohio Family and Children First Cabinet Council and permitted counties to establish county family and children first councils. For the year ended, December 31, 2001 and 2000, the Warren County Family and Children First Council, Warren County, Ohio (the Council), was an agency fund of Warren County, Ohio. Statutory membership of a county council consists of the following individuals:

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

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. DESCRIPTION OF ENTITY (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 from whom the council cannot provide adequate services;
- b. Make periodic reports to the cabinet council regarding the number of children referred to the county council and the progress made in meeting the needs of each child;
- c. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- d. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, 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;
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

Council Membership

The County's Council membership included Children's Services, Board of Alcohol Drug Addition and Mental Health Services; Board of Mental Retardation and Developmental Disabilities, and the Juvenile Court. The purpose of the Family and Children First Council is to identify ways in which the Child Serving System can provide services to the community in the most efficient and effective manner. A Council Coordinator has been hired to administer all of the Family and Children First Programs. Because these programs affect all of the agencies within the Council membership, the salary of this employee is paid from the State administrative grant received by the Council and pooled funding derived from each of the Council agencies in the County.

Administrative Council

The Administrative Council is a governing and policy making body. The Council is responsible for determining the need for staff positions pursuant to established goals, objectives, and policy statements. This committee is responsible for the creation of all standing committees and task groups of the Council.

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

The Council did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000). This Ohio Administrative Code Sections require classifying receipts and disbursements.

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

B. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. All expenditures are made in accordance with an annual budget approved by the administrative body of the Council.

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. During the period ending December 31, 2001 and 2000, the following programs were awarded to the Council: Service Coordination Grant, Ohio Wellness Block Grant, and the Early Start Grant.

C. Fiscal Agent

The Warren County Children's Services Board became the Council's fiscal agent on April 1, 2000. The Warren County Auditor maintains Council funds in a separate Agency Fund.

D. Property, Plant and Equipment

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

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Council is required by state law to file an annual budget of estimated expenditures with the Warren County Auditor, the Council's administrative agent. The estimated expenditures are approved per grant. During the fiscal years under audit, the Council's annual budget was approved by the Council Coordinator but not filed with the Warren County Auditor.

3. EQUITY IN POOLED CASH

The Warren County Auditor maintains a cash pool used by all of the county's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$294,697</u>	<u>\$193,472</u>

The Warren County Auditor, as the ultimate fiscal agent for the Council, is responsible for maintaining adequate depository collateral for all funds in the Council's pooled cash and depository accounts.

4. RISK MANAGEMENT

The Council is covered under the Warren County Auditor's insurance policy.



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

Warren County Family and Children First Council
Warren County
416 South East Street
Lebanon, Ohio 45036

To the Members of Council:

We have audited the accompanying financial statements of the Warren County Family and Children First Council, Warren County, Ohio (the Council), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 18, 2002, which was qualified since the Council did not classify receipts and disbursements in its financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-60483-001 and 2001-60483-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Council in a separate letter dated September 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-60483-002 through 2001-60483-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We believe reportable condition items 2001-60483-002 and 2001-60483-003 described above are material weaknesses. We also noted a matter involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated September 18, 2002.

This report is intended solely for the information and use of the Audit Committee, management and the Warren County Family and Children First Council members, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 18, 2002

**WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-60483-001

Material Noncompliance

Ohio Rev. Code, Section 121.37(B)(4), states the Family and Children First Council shall file an annual budget with its administrative agent and copies must be filed with the county auditor and the board of county commissioners. In calendar years 2001 and 2000 the Council did not file their annual budget with the county auditor and the board of county commissioners for the years under audit. Failure to properly follow budgetary requirements may result in overspending of funds and negative fund balances.

Effort should be made for the Council to become familiar with applicable budgetary requirements and to institute procedures to follow.

FINDING NUMBER 2001-60483-002

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 117.38, requires the Council to classify receipts by source or disbursements by purpose in its annual report. The Council's fiscal officer did not maintain an accurate receipt ledger, appropriation ledger or cash journal. The Council did not properly classify receipt and disbursement transactions. The Council was therefore unable to monitor compliance with its appropriation resolution.

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient 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. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

The Council did not maintain an accurate or complete cash journal, receipt ledger, or appropriation ledger. The Council did not properly classify receipt and disbursements transactions; therefore, the Council was unable the Council was unable to classify its receipts by source and disbursements by purpose for its annual financial report as required by Ohio Rev. Code, Section 117.38.

FINDING NUMBER 2001-60483-003

Material Weakness

The following conditions indicate a need for increased oversight of management by the Council:

1. Receipts have not been posted to an internal accounting system;
2. The Council's record of expenditures did not agree to the County's expenditure ledger; and
3. Reconciliations of the Council's receipts, expenditures and fund balances to the County Auditor are not performed.

Although it is management's responsibility to establish and maintain an adequate internal control structure, only the Council is in a position to ensure management fulfills this obligation. Because top management is often in a position to override the controls it establishes, the Council must compensate for this potential control weakness by serving as a final, higher level of accountability.

Failure to properly monitor and record receipts and expenditures can result in overspending of funds and negative fund balances.

To increase accountability over the Council's receipts and expenditures, we recommend that the Council carefully review the monthly financial statements.

We recommend that the Council record receipts and expenditures in an internal accounting system which reconciles to the County's records. Management should institute procedures to properly monitor financial transactions. Proper monitoring over financial transactions will aid the Council in properly accounting for their receipts and expenditures.

FINDING NUMBER 2001-60483-004

Reportable Condition

The Council did not properly account for all receipts. We note the following conditions relating to receipts:

1. The Council could not provide documentation to support all of its receipts;
2. The Council did not prepare duplicate receipts for the receipt of money;
3. The Council did not include pay-in numbers in the receipt ledger; and
4. The Council could not demonstrate that deposits were made daily.

In order to strengthen internal controls over the receipting process, we recommend the Council implement the following procedures:

- Maintain copies of all documents that are received with receipts;
- Prepare a corresponding duplicate receipt for monies received;
- Include pay-in numbers in the receipt ledger;
- Maintain documentation of daily deposits with the County; and
- Take due care when posting receipts to ensure receipts are properly posted.



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WARREN COUNTY FAMILY AND CHILDREN FIRST COUNCIL

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
OCTOBER 17, 2002**