



Dave Yost • Auditor of State



**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mental Health & Recovery Board of Clark, Greene and Madison Counties  
Clark County  
1055 East High Street  
Springfield, Ohio 45505

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Mental Health & Recovery Board of Clark, Greene and Madison Counties, Clark County, (the Board) as of and for the year ended June 30, 2013.

### ***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 permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 the Board's 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 the Board's 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, the Board 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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 the Board as of June 30, 2013, or changes in financial position thereof for the years 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 the Mental Health & Recovery Board of Clark, Greene and Madison Counties, Clark County as of June 30, 2013, 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(D) permit, described in Note 1.

***Other Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Award Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 December 10, 2013, 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 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 the Board's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 10, 2013

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Taxes	\$9,315,937		\$9,315,937
Intergovernmental	1,269,442	\$5,638,769	6,908,211
Rental	832,374		832,374
Miscellaneous	11,254	3,194	14,448
Total Cash Receipts	<u>11,429,007</u>	<u>5,641,963</u>	<u>17,070,970</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Salaries	850,385	163,375	1,013,760
Benefits	245,592	1,975	247,567
Treatment Services	9,090,572	6,310,633	15,401,205
Professional Services	79,234		79,234
Operating	62,407	1,733	64,140
Rent/Utilities	277,570	8,642	286,212
Repairs/Maintenance	44,409		44,409
Advertising/Printing	21,145		21,145
Insurance	41,718		41,718
Lease	8,917		8,917
Travel/Conference	16,254	1,578	17,832
Other	144,455	1,658	146,113
Capital Outlay	198,874	338	199,212
<b>Debt Service:</b>			
Principal Retirement	52,385		52,385
Interest and Fiscal Charges	39,159		39,159
Total Cash Disbursements	<u>11,173,076</u>	<u>6,489,932</u>	<u>17,663,008</u>
Excess of Receipts Over (Under) Disbursements	<u>255,931</u>	<u>(847,969)</u>	<u>(592,038)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Proceeds from Sale of Assets	1,500		1,500
Prior Year Refund	6,105		6,105
Transfers In	8,004	125,000	133,004
Transfers Out	(125,000)	(8,004)	(133,004)
Advances In	1,023,386	1,575,147	2,598,533
Advances Out	(1,575,147)	(1,023,386)	(2,598,533)
Total Other Financing Receipts (Disbursements)	<u>(661,152)</u>	<u>668,757</u>	<u>7,605</u>
Net Change in Fund Cash Balances	(405,221)	(179,212)	(584,433)
Fund Cash Balances, July 1	<u>8,887,688</u>	<u>543,824</u>	<u>9,431,512</u>
<b>Fund Cash Balances, June 30:</b>			
Restricted		364,612	364,612
Committed	310,167		310,167
Assigned	933,487		933,487
Unassigned (Deficit)	7,238,813		7,238,813
Fund Cash Balances, June 30	<u>\$8,482,467</u>	<u>\$364,612</u>	<u>\$8,847,079</u>

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

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Agency Fund</u>
<b>Cash Receipts:</b>	
Intergovernmental	<u>\$2,127,785</u>
<b>Cash Disbursements:</b>	
Treatment Services	1,250,000
Operating	62
Advertising/Printing	280
Total Cash Disbursements	<u>1,250,342</u>
Net Change in Fund Cash Balance	<u>877,443</u>
Fund Cash Balance, July 1	16,668
Fund Cash Balance, June 30	<u><u>\$894,111</u></u>

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

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Mental Health & Recovery Board of Clark, Greene and Madison 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 is directed by an eighteen-member Board. Board members are appointed by Ohio Department of Mental Health (ODMH), Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and the legislative authorities of the counties making up the Board. Those subdivisions are the Clark, Greene and Madison County Commissioners. The Board provides alcohol, drug addiction, and mental health services and programs to citizens in Clark, Greene and Madison Counties primarily through contracts with private and public agencies.

The Clark County Auditor and the Clark County Treasurer serve respectively as fiscal officer and custodian of all public funds. 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 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).

**C. Cash**

As required by the Ohio Revised Code, the Board's cash is held and invested by the Clark County Treasurer, who acts as custodian for the Board's money. The Board's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's carrying amount. Information related to investments and credit risk can be obtained by reviewing the Clark County, Ohio financial statements.

**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:

**General Fund** - The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Board had the following significant special revenue funds:

**Medicaid (ODMH)**– This fund accounts for funding passed through the Ohio Department of Mental Health to local mental health boards to provide Medicaid services to members of the community.

**ODMH 505 Regular** – This fund accounts for funding passed through the Ohio Department of Mental Health to local mental health boards to provide mental health services to members of the community.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

**Agency Fund** – Agency funds are custodial in nature and do not involve measurement of results of operations. The Board is the custodian for the Madison County Substance Abuse Coalition, a group dedicated to increasing the awareness in the community about the misuse of legal drugs and abuse of illegal drugs, and the ODMH 505 Hot Spot funding for central Ohio Boards collaborative treatment and projects. The Board serves as Project administrator for the central Ohio collaborative.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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 as of July 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 re-appropriated.

The Board did not encumber all commitments required by Ohio law.

A summary of fiscal year 2013 budgetary activity appears in Note 2.

**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 payment 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 cash basis of accounting used by the Board.

MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

H. Interfund Transactions

During the course of normal operations, the Board will, as necessary, transfer or advance cash between funds to meet current obligations. In 2013, net interfund transactions in the General Fund were (\$668,757).

I. Fund Balance

For June 30, 2013, fund balance is divided into five classifications based primarily on the extent to which the Board must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Board classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

Board can commit amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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 Board 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. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Board applies 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.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2013 follows:

<b>2013 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$12,924,774	\$12,468,002	(\$456,772)
Special Revenue	7,105,473	7,342,110	236,637
Agency	2,127,785	2,127,785	
Total	\$22,158,032	\$21,937,897	(\$220,135)

<b>2013 Budgeted vs. Actual Expenditures</b>			
<b>Fund Type</b>	<b>Budgeted Expenditures</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General	\$14,151,633	\$13,062,193	\$1,089,440
Special Revenue	7,902,541	7,690,103	212,438
Agency	2,127,785	1,250,342	877,443
Total	\$24,181,959	\$22,002,638	\$2,179,321

The Board did not budget for advances to and from one fund to another.

**3. LONG-TERM OBLIGATIONS**

Over the years, the Board has received numerous mortgage loans payable from the State of Ohio Department of Mental Health (ODMH) to fund construction or acquisition of facilities. These loans are being forgiven by the State over 40 years, as long as the use of these facilities continues to provide mental health services. The loans are exempt from the debt limitations established by Section 5705.19 of the Ohio Revised Code.

The original balances of these loans are as follows:

<b>Loan Number</b>	<b>Original Loan Amount</b>	<b>ODMH Balance as of 6/30/13</b>
MH-207	\$1,229,396	\$271,523
MH-324	99,779	32,321
MH-364	58,146	21,625
MH-379	128,006	50,282
MH-409	131,000	56,782
MH-414	225,200	96,196
MH-519	142,500	74,522
MH-591	437,400	251,535
MH-636	73,500	45,631
MH-726	94,000	64,441
MH-731	30,000	20,940
Total	\$2,648,927	\$985,798

On July 21, 2010 the Board entered into a tax exempt debt obligation through PNC Bank. Three mortgages with Huntington National Bank and one mortgage with Chase Bank were paid in full. The refinance is for a ten year fixed rate of 4.37% with the 600 Dayton-Yellow Springs Road, Fairborn, Ohio property as collateral. The outstanding principal balance as of June 30, 2013 was \$855,266.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. LONG-TERM OBLIGATIONS (Continued)**

Future principal and interest requirements at June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 55,162	\$ 36,374	\$ 91,536
2015	57,621	33,915	91,536
2016	60,190	31,346	91,536
2017	62,874	28,662	91,536
2018	65,677	25,859	91,536
2019-2021	553,742	44,315	598,057
Total	<u>\$855,266</u>	<u>\$200,471</u>	<u>\$1,055,737</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date. Property tax levies have been passed in Clark, Greene and Madison Counties. Total mental health levy tax rates in effect for fiscal year 2013 are 2.65, 1.5, and 0.5 mills in Clark, Greene and Madison Counties, respectively. 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 reported in the accompanying financial statements as Intergovernmental Receipts.

Public utilities are also taxed on personal and real property located within the respective counties. 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 respective counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**5. RETIREMENT SYSTEM**

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 the period July 1, 2012 to June 30, 2013 PERS members contributed 10% of their gross salaries and the Board contributed an amount equal to 14% of participants' gross salaries. The Board has paid all contributions required through June 30, 2013. See the financial report of Clark County, Ohio, for a complete pension disclosure.

**6. DEFERRED COMPENSATION PROGRAMS**

Employees of the Board have the option to participate in either, or both, the Ohio Public Employees Deferred Compensation Program or the County Commissioners Association of Ohio Deferred Compensation Plan. Both of these programs are deferred compensation plans under Internal Revenue Code section 457. Employees may elect to defer a portion of their pay until a later date, normally retirement.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. RISK MANAGEMENT**

The Board has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability
- Employee Practice and Dishonesty
- Employer Liability
- Director and Officers Liability

The Board also provides health insurance and dental coverage to full-time employees through a private carrier. There was no reduction in the level of coverage during the year.

**8. CONTINGENCIES**

The Board receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. 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.

**9. SUBSEQUENT EVENTS**

In November 2013 voters in Clark County approved a renewal of the 1.65 mill property tax levy that provides funding for the operation of mental health and recovery programs and the maintenance of facilities. Passing of this levy was critical to continue providing services at the current level for the local area.

**MENTAL HEALTH AND RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through Ohio Department of Mental Health:</i>			
Social Services Block Grant		(1)	\$54,985
Social Services Block Grant		(1)	182,710
Total Social Services Block Grant	93.667		<u>237,695</u>
<i>Passed through Ohio Department of Alcohol and Drug Addiction:</i>			
Substance Abuse and Mental Health Services- Projects of Regional and National Significance	93.243	(1)	16,029
Block Grants for Prevention and Treatment of Substance Abuse:			
RCI/Women's Recovery Center		12-1123-WOMENT-T-13-9045	317,254
McKinley Hall's Women and Children's Program		12-1039-WOMENT-T-13-9925	166,652
Expanding Proven Prevention & Wellness Practices		99-0012-TARGP-P-13-1318	6,500
Youth-Led		(1)	6,753
Treatment Per Capita		(1)	571,346
Prevention Per Capita		(1)	6,823
Prevention Per Capita		(1)	224,553
Total Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>1,299,881</u>
<i>Passed through Ohio Department of Mental Health:</i>			
Block Grants for Community Mental Health Services:			
Block Grant Base		(1)	217,030
Block Grant Forensic		(1)	2,683
Block Grant Supporting Housing		BG-13-100-20-030	23,450
<i>Passed through the Ohio State University Research Foundation:</i>			
Block Grants for Community Mental Health Services		OCP-303-09-01	1,440
Block Grants for Community Mental Health Services		BG-11-303-04-001	230
Total Block Grants for Community Mental Health Services	93.958		<u>244,833</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program		(1)	64
<i>Passed through Ohio Department of Drug &amp; Alcohol Addiction:</i>			
Medical Assistance Program		(1)	7,203
Total Medical Assistance Program	93.778		<u>7,267</u>
Total U.S. Department of Health and Human Services			<u>1,805,705</u>
Total Federal Financial Assistance			<u>\$1,805,705</u>

(1) Pass through number not available

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

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A – BASIS OF ACCOUNTING**

The accompanying Federal Awards Expenditures Schedule (the Schedule) is a summary of activity of all federal award programs of the Mental Health & Recovery Board of Clark, Greene and Madison Counties (the Board). The Schedule has been prepared on the cash basis of accounting.

**NOTE B – SUB-RECIPIENTS**

The Board passes through certain federal grants from the State Department of Mental Health (ODMH) and the State Department of Alcohol and Drug Addiction Services (ODADAS) to various not-for-profit provider agencies. As described in Note A above, the Board records expenditures of federal awards to sub-recipients when paid in cash.

**NOTE C – MATCHING REQUIREMENTS**

Certain federal programs require that the Board contribute non-federal funds (matching funds) to support the federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



# 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 Board of Clark, Greene and Madison Counties  
Clark County  
1055 East High Street  
Springfield, Ohio 45505

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 the Mental Health & Recovery Board of Clark, Greene and Madison Counties, Clark County, (the Board) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2013, wherein we noted the Board followed financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's 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 the Board's 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 the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

***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 the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's 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

Columbus, Ohio

December 10, 2013



# Dave Yost • Auditor of State

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

Mental Health & Recovery Board of Clark, Greene and Madison Counties  
Clark County  
1055 East High Street  
Springfield, Ohio 45505

To the Board of Directors:

### **Report on Compliance for the Major Federal Program**

We have audited the Mental Health & Recovery Board of Clark, Greene and Madison Counties' (the Board) 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 Board of Clark, Greene and Madison Counties' major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal program.

### ***Management's Responsibility***

The Board's 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 the Board's compliance for the Board's major federal program 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 the Board's 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 the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Mental Health & Recovery Board of Clark, Greene and Madison 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 June 30, 2013.

**Report on Internal Control Over Compliance**

The Board's 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 the Board's 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 the Board's 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

Columbus, Ohio

December 10, 2013

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2013-001**

**Noncompliance**

**Ohio Rev. Code Section 5705.41(D)(1)** states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Board did not properly encumber ten out of twenty-six, or 38% of the tested expenditures.

Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are utilized, prior certification is not only required by statute, but is a key control in the disbursement process to assure the purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility that Board funds will exceed budgetary spending limitations, the Board should certify that the funds are or will be available prior to the obligation by the Board. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2013-001  
(Continued)**

**Officials Response:**

O.R.C. 5705.41(D)(3) states "...In any case in which a contract is entered into upon a per unit basis, the head of the department, board, or commission for the benefit of which the contract is made shall make an estimate of the total amount to become due upon such contract, which estimate shall be certified in writing to the fiscal officer of the subdivision. Such a contract may be entered into if the appropriation covers such estimate, or so much thereof as may be due during the current year. In such a case the certificate of the fiscal officer based upon the estimate shall be a sufficient compliance with the law requiring a certificate".

This paragraph contained in 5705.41 best describes the MHRB's process of paying for treatment services for a given fiscal year billing cycle. Within the Multi-Agency Community Service Information System (MACSIS), we have to honor any willing and able Medicaid provider that has a current contract with Ohio Department of Job & Family Services (ODJFS) that bills for services provided to residents of Clark, Greene and Madison Counties. The MHRB using actual past claims (billings) history and local agency community plans develops an estimate for the upcoming year's contractual-based obligation. This estimate is then submitted to the Clark County Auditor's office as part of the MHRB overall budget. The estimate is reflected as our total appropriation for treatment services within the current fiscal year. As the billings cycle begins in MACSIS, remittance advice statements are generated by agencies across the State of Ohio who provided services to the residents of the Board's region. Medicaid providers have up to one year to submit their service claims from the date of service. These small remittance advice statements are an extension of the contractual-based obligation that we must honor for ODJFS as being the payer of the claims. The Clark County Auditor's office would certify each remittance advice under the original estimated appropriation for that fiscal year period and issues warrants.

We understand the importance to properly certify the availability of funds to avoid misappropriation of monies and negative cash fund balances. The Board's procedure to honor MACSIS claims liability is not taken lightly. The internal cash management procedure calls for two months of budgeted expense be held in case the original estimate is insufficient.

In short, since we are paying contract based obligations for ODJFS and the Board itself, the estimate of the contracts is sufficient compliance with the law requiring a certificate.

**Auditor of State's Conclusion:**

The Officials Response above indicates, "In such a case the certificate of the fiscal officer based upon the estimate shall be a sufficient compliance with the law requiring a certificate." The fiscal officer certificate is in essence, a purchase order. The MHRB used regular purchase orders for each invoice from the MACSIS/ODJFS bills, which were dated after the date of the invoices as well as after the date the services were performed. The MHRB should have used one of the exceptions permitted by ORC 5705.41D as indicated in Finding 2013-001 in order to prevent noncompliance. Specifically, the MHRB should have used a super-blanket purchase order to cover the yearly bills as required.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

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# Dave Yost • Auditor of State

**MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES**

**CLARK 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  
JANUARY 9, 2014**