



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

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
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REPORT OF INDEPENDENT ACCOUNTANTS

Recovery Services of Warren and Clinton Counties
Warren County
210 W. Main Street
Second Floor
Lebanon, OH 45036

To Members of the Board:

We have audited the accompanying financial statements of Recovery Services of Warren and Clinton Counties, Ohio (the Board), as of and for the year ended December 31, 1999. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Board as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 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.

Our audit was performed for the purpose of forming an opinion on the accompanying financial statements of the Board, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. 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.

Recovery Services of Warren and Clinton Counties
Warren County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the 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.

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

Jim Petro
Auditor of State

May 31, 2000

**RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

Cash Receipts:

Taxes	\$2,138,670
Intergovernmental	
Federal	1,087,182
State	4,385,854
Gifts, Donations, and Bequests	17,522
Other Receipts	<u>173,614</u>
 Total Cash Receipts	 <u>7,802,842</u>

Cash Disbursements:

Current:	
Salaries	378,949
Supplies	10,095
Equipment	9,457
Contracts - Repair	1,446
Contracts - Services	3,930,027
Rentals	7,251
Advertising and Printing	27,723
Travel	14,838
Public Employee's Retirement	49,824
Worker's Compensation	5,869
Federal – project disbursements	1,349,482
State – project disbursements	3,716,848
Other	<u>176,389</u>
 Total Disbursements	 <u>9,678,198</u>

Total Receipts Over Disbursements (1,875,356)

Other Financing Receipts:

Refunds	2,545
Reimbursements	812,619
Other Sources	<u>3,357</u>
 Total Other Financing Receipts	 <u>818,521</u>

Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements (1,056,835)

Fund Cash Balances, January 1 2,435,111

Fund Cash Balances, December 31 \$1,378,276

Reserves for Encumbrances, December 31 \$743,915

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

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RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Recovery Services of Warren and Clinton Counties, Ohio (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. Recovery Services is directed by an eighteen-member Board. Board members are appointed by the Director of Mental Health, the Director of Alcohol and Drug Addiction Services, and the County Commissioners from both Warren and Clinton counties. The Board is responsible for appointing the Executive Director, governing activities and setting policies for the board. The Board funds alcohol, drug addiction and mental health services and programs to citizens of the counties of Warren and Clinton. 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 Warren 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. The Warren County Auditor acts as the fiscal agent for the Board.

D. Fund Accounting

The Board has no cash and investments that are restricted as to use. The Board only has the following fund:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources.

E. Budgetary Process

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

RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 1999 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 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. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipt	Variance
General	\$8,430,712	\$8,621,363	\$190,651

RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,816,382	\$10,422,113	\$394,269

3. 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.

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.

4. 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 post-retirement 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, 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 December 31, 1999.

5. RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

Warren County also provides health insurance and dental coverage to full-time employees through a private carrier.

RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. 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.

**RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health:</i>			
Projects for Assistance in Transition from Homelessness	n/a	93.150	\$9,528
Block Grant for Community Mental Health Services	n/a	93.957	90,187
Social Services Block Grant (Title XX)	n/a	93.667	77,876
Medical Assistance Program (Title XIX)	n/a	93.778	359,747
PASARR	n/a	93.778	2,610
508R Pilot Grant	n/a	93.xxx	131,324
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	n/a	93.959	706,197
Medical Assistance Program (Title XIX)	n/a	93.778	19,476
Total U.S. Department of Health and Human Services			<u>1,396,945</u>
Total			<u><u>\$1,396,945</u></u>

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

**RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



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

Recovery Services of Warren and Clinton Counties
Warren County
210 W. Main Street
Second Floor
Lebanon, OH 45036

To Members of the Board:

We have audited the accompanying financial statements of Recovery Services of Warren and Clinton Counties, Ohio (the Board), as of and for the year ended December 31, 1999, and have issued our report thereon dated May 31, 2000. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Board in a separate letter dated May 31, 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. 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 Recovery Service's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-60483-001.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Recovery Services of Warren and Clinton Counties
Warren County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Board in a separate letter as dated May 31, 2000.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 31, 2000



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

Recovery Services of Warren and Clinton Counties
Warren County
210 W. Main Street
Second Floor
Lebanon, OH 45036

To Members of the Board:

Compliance

We have audited the compliance of Recovery Services of Warren and Clinton 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 its major federal program for the year ended December 31, 1999. The Board's major federal program is 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 its major federal program 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.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

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.

Recovery Services of Warren and Clinton Counties
Warren County
Report of Independent Accountants Compliance With Requirements
Applicable to Each Major Federal Program and Internal Control Over
Compliance in Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

May 31, 2000

**RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 1999**

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)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 93.778 – Medical Assistance Program – Title XIX
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 1999-60483-001

Reportable Condition

Recovery Services employees participated in the health insurance plan of Warren County. During the County's audit, we noted that Warren County had delegated employees' health insurance claims processing, which is a significant accounting function, to a third-party administrator. The County has not established procedures to reasonably determine that health insurance claims have been completely and accurately processed in accordance with the health insurance contract.

We recommend that Warren County as Recovery Services' fiscal agent implement procedures to reasonably assure the completeness, and accuracy (including eligibility and allowability) of health insurance claims processed by their third-party administrator. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards for audits of claims processing controls which should satisfy this requirement. As described in that Statement, we suggest that the County obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the third-party administrator. Such a report, if unqualified, would provide evidence to the County's and Recovery Services' management that health insurance claims were being processed in conformance with the contract.



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RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2000**