



**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 and DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Trumbull Family and Children First Council
Trumbull County
45 North Road
Niles, Ohio 44446

To the Members of Council:

We have audited the accompanying financial statements of the Trumbull Family and Children First Council, Trumbull County, as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Family and Children First 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.

As discussed in Note 2, the Trumbull Family and Children First 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Family and Children First Council, Trumbull County, as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the periods then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2001 on our consideration of the Trumbull Family and Children First Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Council, Administrative Agent, management, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 18, 2001

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**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Public Assistance		\$313,854	\$313,854
Intergovernmental - Trumbull County	30,000		30,000
Intergovernmental - State	20,000	592,508	612,508
Intergovernmental - Federal		33,944	33,944
Miscellaneous Cash Receipts	<u>1,000</u>		<u>1,000</u>
Total Cash Receipts	<u>51,000</u>	<u>940,306</u>	<u>991,306</u>
Cash Disbursements:			
Supplies	481	11,005	11,486
Contracted Services	389	520,390	520,780
Professional Services	6,911	36,149	43,060
Travel Expenses	757	1,442	2,199
Financial Aid		261,688	261,688
Refunds and Reimbursements		<u>16</u>	<u>16</u>
Total Cash Disbursements	<u>8,538</u>	<u>830,690</u>	<u>839,228</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>42,462</u>	<u>109,616</u>	<u>152,078</u>
Other Financing Sources/(Uses):			
Transfers-In		12,500	12,500
Transfers-Out	(12,500)		(12,500)
Other Financing Sources		<u>254</u>	<u>254</u>
Total Other Financing Sources/(Uses)	<u>(12,500)</u>	<u>12,754</u>	<u>254</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>29,962</u>	<u>122,370</u>	<u>152,332</u>
Fund Cash Balances - January 1, 1999	<u>1,270</u>	<u>342,873</u>	<u>344,143</u>
Fund Cash Balances - December 31, 1999	<u><u>\$31,232</u></u>	<u><u>\$465,243</u></u>	<u><u>\$496,475</u></u>

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

**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Public Assistance		\$451,349	\$451,349
Intergovernmental - Trumbull County	17,500		17,500
Intergovernmental - State	40,000	675,867	715,867
Intergovernmental - Federal		92,339	92,339
	<u>57,500</u>	<u>1,219,555</u>	<u>1,277,055</u>
Total Cash Receipts			
	<u>57,500</u>	<u>1,219,555</u>	<u>1,277,055</u>
Cash Disbursements:			
Personal Services		60,411	60,411
Supplies	810	28,003	28,813
Capital Outlay		2,750	2,750
Contracted Services	33,079	1,010,835	1,043,914
Professional Services	442		442
Travel Expenses	1,110	6,572	7,682
Financial Aid		246,524	246,524
Refunds and Reimbursements		25,692	25,692
Leases and Rental Expenses		7,279	7,279
	<u>35,441</u>	<u>1,388,066</u>	<u>1,423,507</u>
Total Cash Disbursements			
	<u>35,441</u>	<u>1,388,066</u>	<u>1,423,507</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	22,059	(168,511)	(146,452)
Other Financing Sources/(Uses):			
Advances-In		9,500	9,500
Advances-Out	(9,500)		(9,500)
	<u>(9,500)</u>	<u>9,500</u>	<u></u>
Total Other Financing Sources/(Uses)			
	<u>(9,500)</u>	<u>9,500</u>	<u></u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	12,559	(159,011)	(146,462)
	<u>12,559</u>	<u>(159,011)</u>	<u>(146,462)</u>
Fund Cash Balances - January 1, 2000	31,232	465,243	496,475
	<u>31,232</u>	<u>465,243</u>	<u>496,475</u>
Fund Cash Balances - December 31, 2000	<u>\$43,791</u>	<u>\$306,232</u>	<u>\$350,023</u>

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

**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999**

1. DESCRIPTION OF THE ENTITY

Ohio Revised Code § 121.37, created the Ohio Family and Children First Cabinet Council and permitted counties to establish county family and children first councils. Statutory membership of 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 of 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 Ohio Revised Code § 5153.15;
- 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 largest city in the county;
- 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 Ohio Revised Code § 3301.31;
- 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. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families; and
- o. At least three individuals representing the interests 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.

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 councils' statutory responsibilities include the following:

- a. Refer to the cabinet council those children for 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. Maintain an accountability system to monitor the council's progress in achieving its purposes;
- e. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system; and

**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

- f. Participate in the development of a county wide, 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".

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.

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

B. Fund Accounting

Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions are reflected in a self-balancing group of accounts. Council classifies its funds into the following types:

General Fund

The General Fund is the general operating fund of Council. It is used to account for all financial resources except those required by law or contract to be restricted and accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. Council maintains the following significant Special Revenue Funds:

Family Stability Grant Fund - This fund accounts for monies received from the Ohio Department of Mental Health to be utilized for reducing the number of children removed from their homes.

Ohio Wellness Block Grant Fund - This fund accounts for monies received from the Ohio Department of Human Services to be utilized for child abuse and neglect prevention.

Children Cluster Grant Fund - This fund accounts for monies received from the Ohio Department of Health to be utilized for ensuring children who have multi-system service needs and their families receive essential services.

**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Administrative Agent

The Trumbull County Board of Mental Retardation & Developmental Disabilities serves as the administrative agent for Council. Council's funds are maintained in agency funds with the administrative agent.

D. Budgetary Process

The Ohio Revised Code requires Council to file an annual budget with its administrative agent, with copies filed with the county auditor and with the board of county commissioners, unless the board is serving as Council's administrative agent. Council's administrative agent is to ensure that all expenditures are handled in accordance with policies, procedures, and activities prescribed by state departments in rules or interagency agreements that are applicable to Council's functions.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Trumbull County Board of Mental Retardation & Developmental Disabilities (MRDD) serves as the administrative agent for Council. MRDD maintains a cash and investments pool used by all funds and activities and does not account for and/or report separately the amounts of deposits and investments Council maintains solely for Council. However, MRDD follows the provisions of the Ohio Revised Code that prescribe allowable deposits and investments of public funds.

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

Trumbull Family and Children First Council
Trumbull County
45 North Road
Niles, Ohio 44446

To the Members of Council:

We have audited the financial statements of the Trumbull Family and Children First Council, Trumbull County, as of and for the years ended December 31, 2000 and December 31, 1999 and have issued our report thereon dated December 18, 2001. 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 Trumbull Family and Children First 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note certain immaterial instances of noncompliance that we have reported to the management of the Trumbull Family and Children First Council in a separate letter dated December 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trumbull Family and Children First 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 Family and Children First Council'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 2000-61178-001.

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 consider the reportable condition described above, item 2000-61178-001, to be a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the Family and Children First Council in a separate letter dated December 18, 2001.

This report is intended for the information and use of Council, Administrative Agent, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 18, 2001

**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND DECEMBER 31, 1999**

Finding Number	2000-61178-001
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**Material Weakness
Reportable Condition**

The Administrative Agent entered into an agreement with a service provider that allowed the service provider to request and receive program monies directly from funding agencies and make expenditures of such program monies as appropriate under the programs. However, the Administrative Agent did not post the service provider's receipt and disbursement transactions to its receipt and appropriation ledgers and did not receive and review the service provider's supporting documentation for these transactions. As a result of these conditions, the Auditor of State had to apply auditing procedures to the service provider's financial records and to internal controls over its financial activity. Also, errors were noted and the Administrative Agent had to make significant audit adjustments, approximately 90% of receipts and 50-60% of disbursements had to be brought on the books and reclassified, to its financial records and the Council's annual financial report.

Furthermore, the Council has not established procedures to reasonably determine whether the service organization has controls in place and operating effectively to reasonably ensure that transactions will be recorded completely and accurately and in accordance with the agreement.

Council is ultimately responsible for maintaining accounting records and other such documentation of Council activities that would enable it to prepare, or have prepared on its behalf, cash basis financial statements and to demonstrate compliance with applicable laws, regulations, and contracts. Council is also ultimately responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting, the safeguarding of its assets, the efficiency and effectiveness of its operation, and its compliance with applicable laws, regulations, and contracts. This responsibility is not removed when the administrative agent delegates financial activities to third parties.

Therefore, in situations where the administrative agent enters an agreement with a public or private entity to perform specific business on behalf of Council, we recommend the Council require the agreement be in writing. The Council should review the written agreement prior to engagement to ensure it addresses at least the following points of focus and that the Council establish internal controls to ensure compliance with the same:

- Responsibility for authorizing transactions;
- Responsibilities for maintaining detailed financial records and supporting documentation;
- Establishment of budgetary controls;
- Format and level of detail of financial information to be provided to the administrative agent;
- Frequency by which financial information will be provided; and
- Responsibility for preparation of year-end financial statements (if contracting for fiscal agent services)
- Allows for appropriate monitoring of service provider's internal control and transaction processing activities by the administrative agent (generally appropriate for fiscal agent services performed by another public office) or requires an annual Tier II SAS 70 audit be performed in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State (a SAS 70 report is not need when contracting with a public office for fiscal agent services).

Where the administrative agent has delegated significant Council financial activity to a third party, the administrative agent should establish policies and procedures to monitor that activity to provide reasonable assurance that compliance, financial reporting, and operational objectives of the Council are being met. Statement on Auditing Standards (SAS) No. 70 as amended by SAS's No. 78 and 88, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations.

An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, 78 and 88, should provide the Council with an appropriate level of assurance that receipt and disbursement transactions for the program monies are being processed in conformance with the agreement.

If a Tier II SAS 70 report is used to monitor service providers, the administrative agent should be provided a copy of the SAS 70 report timely and should review the report's content.

**TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND DECEMBER 31, 1999**

Finding Number	Finding Summary	Fully Corrected?
1998-61178-001	Recommend Council's agreement with the Administrative Agent address its accounting responsibilities.	Yes
1998-61178-002	Recommend the Administrative Agent establish separate funds for Council's grant programs.	Yes



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TRUMBULL FAMILY AND CHILDREN FIRST COUNCIL

TRUMBULL 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 22, 2002**