

STATE OF OHIO

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

OFFICE OF FINANCIAL MANAGEMENT

REPORT OF SUBRECIPIENT MONITORING ONSITE VISIT

OF THE

**MENTAL HEALTH & RECOVERY SERVICES BOARD OF SENECA, SANDUSKY
AND WYANDOT COUNTIES**

FOR THE PERIOD:

JULY 1, 2014 THROUGH JUNE 30, 2015

Form OMHAS FIS-040 (07/01/13 – 06/30/14)

Schedule of Expenditures of Federal Awards (01/01/13 – 12/31/13)

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Promoting wellness and recovery

John R. Kasich, Governor • Tracy J. Plouck, Director • 30 E. Broad St. • Columbus, OH 43215 • (614) 466-2596 • mha.ohio.gov

Mental Health & Recovery Services Board of
Seneca, Sandusky and Wyandot Counties
1200 North State Route 53
Tiffin, Ohio 44883

Review Period: State Fiscal Year 2015 (07/01/14 – 06/30/15)
BLR – State Fiscal Year 2014 (07/01/13 – 06/30/14)
SEFA – Calendar Year 2013 (01/01/13 – 12/31/13)

To the Members of the Board:

As a pass-through entity of federal awards, the Ohio Department of Mental Health and Addiction Services (Ohio MHAS) is required to perform subrecipient monitoring as described in 2 CFR, Part 200, Subpart D (f.k.a. - OMB Circular A-133 §.400(d)). As a State Department allocating state resources, Ohio MHAS is required by Ohio Revised Code Chapter 5119 to monitor activities conducted by a Board involved in local Alcohol, Drug Addiction, and Mental Health services/programs. Ohio MHAS must ensure that federal awards and/or state funding are used for authorized purposes and in compliance with laws, regulations, and the provisions of contracts or agreements.

The management of the Board is responsible for establishing and maintaining effective internal controls to ensure compliance with laws, regulations, contracts and agreements applicable to federal, state, and local programs. In planning and performing our review, we considered the Board's internal controls over compliance with requirements that could have a direct and material effect on federal and state funding. Our review consisted of examining, on a selected basis; evidence supporting the activities during our review periods. Based on the foregoing, our objectives for the visit were as follows:

1. Determine the relationship between the number of accounts held by their fiscal agent and those funds are reconciled to their internal accounting records.
2. Verify the Subrecipient has received the amount of funds provided by Ohio MHAS.
3. Determine if Subrecipient maintains fund accounting to account for pass-through dollars provided from Ohio MHAS.
4. Validate the amount of unexpended funds and the proper handling of those funds.
5. Determine if funds provided by Ohio MHAS were used in accordance with laws, rules, contract agreements, and regulations. Determine funds provided by Ohio MHAS only contain allowable charges.

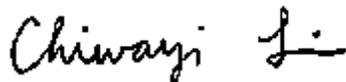
6. Verify and determine data reported on the Schedule of Expenditures of Federal Awards (SEFA) are within 5% per Catalog of Federal Domestic Assistance (CFDA) funding source from the Subrecipient's internal accounting records.
7. Verify and determine data reported on the Board Level Report are within 5% (or \$5,000) per funding source (error rate) from the Subrecipient's internal accounting records.
8. Verify the Board has satisfied their requirement mandated under the Ohio Revised Code in preparing and submitting their Annual Report.
9. Verify if our Subrecipient (i.e. – Board) has fulfill their obligations required in OMB Circular A-133 §.400(d) in monitoring their Subrecipients (i.e. – Provider Agency).
10. Determine if the Subrecipient has satisfied the requirements mandated in the Mental Health and Substance Abuse Prevention and Treatment (SAPT) Block Grant Assurances.

Based on our review and procedures executed, we have determined the following at your organization:

Objectives Satisfied	10	100%
Objectives Not Satisfied	0	0%
Objectives Reviewed	10	100%

Questioned Costs **\$0.00**

The details of the objectives reviewed and questioned costs discovered, if any, are detailed in our supplemental report that was provided to your management team. Within that report, it will also identify if a Corrective Action Plan is required along with other information the Department utilizes to monitor funds passed down to your organization.



Chiwayi Lin, Manager of
Community Monitoring Program
Ohio Department of Mental Health
& Addiction Services

November 19, 2015

Ohio MHAS Supplemental Report (Section II):

Mental Health & Recovery Services Board of
Seneca, Sandusky and Wyandot Counties
1200 North State Route 53
Tiffin, Ohio 44883

Review Period: State Fiscal Year 2015 (07/01/14 – 06/30/15)
BLR – State Fiscal Year 2014 (07/01/13 – 06/30/14)
SEFA – Calendar Year 2013 (01/01/13 – 12/31/13)

The purpose of the supplemental report is to provide detailed information regarding how the Department monitored our Subrecipients. In this report you will find the various techniques we utilize to monitor your organization.

Objectives Reviewed and were Satisfied (No CAP Required):

Objective #1:

Determine the relationship between the number of accounts held by their fiscal agent and those funds are reconciled to their internal accounting records.

Review Techniques and Results from our Testing:

We inquired with Board's management as to the relationship they have with the Seneca County Auditor's Office, their fiscal agent. We confirmed the Board has Twenty Cash Accounts with their fiscal agent. We obtained a copy of the Board's reconciliation process. The County provides direct access to the Board for them to run cash and transactions reports. The Board obtains these reports including their Actual Cash Balance, and Revenue and Expense transactions on a monthly basis. The Board reconciles their records by comparing each Revenue and Expense transactions as well as the ending cash balance for each month against the actual balances provided by their Fiscal Agent to ensure all records are in balance. The Board has properly reconciled the account to their internal accounting records.

Objective #2:

Verify the Subrecipient has received the amount of funds provided by Ohio MHAS.

Review Techniques and Results from our Testing:

We obtained from OAKS all disbursements made to the Board from Ohio MHAS. We separated the various funding streams by its ALI and/or program and identified Federal pass-through dollars vs. State dollars. We then compared those funding streams against the Board's internal accounting records. We were able to trace our disbursement transactions against the Board and their fiscal agent's receipt activities involving our funding streams that Ohio MHAS passed-through this Board.

Objective #3:

Determine if Subrecipient maintains fund accounting to account for pass-through dollars provided from Ohio MHAS.

Review Techniques and Results from our Testing:

We obtained from OAKS all disbursements made to the Board from Ohio MHAS. We separated the various funding streams by its ALI and/or program and identified Federal pass-through dollars vs. State dollars. We then compared those funding streams against the Board's internal accounting records. The Board utilized Excel to post their financial transactions during our review. The Board has set up separate accounts for different funding streams/programs to assist them to identify revenue and expenditures affecting their cash accounts. The Board has twenty cash accounts on deposit with their fiscal agent, Seneca County Auditor's office. Specific accounts such as #8050 handles multiple Ohio MHAS funding streams (i.e. – pool of funds concept).

Each fiscal year, the Board forecasts and identifies the amount of funds they will receive through Federal, State, and Local resources. They budget and contract with private provider agencies for Mental Health and Addiction services based on an agreed amount. The Board then ensures the financial activities (i.e. – invoices being paid) are in line with the agency's total budget to be able to identify activities affecting their cash account when they charge a particular funding source. The Board utilizes Excel to identify what Ohio MHAS funding streams to charge. We were able to identify the activities involving our funding streams that Ohio MHAS passed-through this Board.

Objective #4:

Validate the amount of unexpended funds and the proper handling of those funds.

Review Techniques and Results from our Testing:

We obtained from OAKS all disbursements made to the Board from Ohio MHAS for SFY 2015. We separated the various funding streams by its ALI and/or program and identified Federal pass-through dollars vs. State dollars. We then compared those funding streams against the Board's internal accounting records to determine if all funds have been expended or earmarked for payables incurred during SFY 2015 that will be paid in SFY 2016. We discovered the Board has not fully expended all funding, detailed in the following page:

Objective #4 (Continued):

<u>ALI</u>	<u>Unexpended</u>
335421-Continuum of Care Services	\$55,741
335507-Community Behavioral Health	166
335507-Community Behavioral Health-Hotspot	2,880
335612-Social Services Block Grant	7,510
335613-PATH Grant	66,764
335618-Substance Abuse Block Grant	3,651
	<u>\$136,712</u>

Funds designated for these ALI can be utilized into SFY 2016, therefore the unexpended funds balance as of 06/30/15, will remain at the Board for future allowable expenses.

Objective #5:

Determine if funds provided by Ohio MHAS were used in accordance with laws, rules, contract agreements, and regulations. Confirm funds provided by Ohio MHAS only contain allowable charges.

Review Techniques and Results from our Testing:

From the Ohio Administrative Knowledge System (OAKS), we obtained all disbursements Ohio MHAS made to this Board and we separated the various funding streams by Appropriation Line Item (ALI) and/or programs to identify Federal pass-through dollars vs. State dollars. We reviewed the Board's internal accounting records and contract languages with their provider agencies. We were able to obtain within reason how the funds were spent. The Federal Awards and State dollars (excluding Collaborative) passed through Ohio MHAS to this Board during SFY 2015 totaled \$ 2,325,323. The Board also participated in the Statewide Collaborative (Hot Spot) Initiatives as an Administrator and received \$ 157,843 directly from Ohio MHAS.

The Board contracts with private provider agencies to provide Mental Health and Addiction services to citizens of Seneca, Sandusky and Wyandot Counties. We reconciled the Federal Awards, State funds, and Collaborate Initiatives and discovered that the Board utilized the funds details one the following page:

Objective #5 (Continued):

	Allowable Charges	Unallowable Charges	Unexpended Funds	Total
Federal	\$699,290	\$0	\$77,925	\$777,215
State *	1,492,201	0	55,907	1,548,108
Collaborative (Administrator)	154,963	0	2,880	157,843
Total	\$2,346,454	\$0	\$136,712	\$2,483,166

* - Unexpended funds of \$136,712 are detailed in Objective #4.

We reviewed the contract agreements between the Board and the provider agencies to obtain an understanding of the actual services being contracted that is funded with Federal Awards and/or State funds passed through Ohio MHAS. We selected 30 test sample expenditures to verify supporting documentation of expenses being paid. Based on our review procedures, the use of public funds was in accordance with laws, rules, contract agreements, and regulations. All contracted services funded with Federal Awards and/or State funds were found to contain allowable charges.

Objective #6:

Verify and determine data reported on the Schedule of Expenditures of Federal Awards (SEFA) are within 5% per Catalog of Federal Domestic Assistance (CFDA) funding source from the Subrecipient's internal accounting records.

Review Techniques and Results from our Testing:

From OAKS, we obtained all disbursements Ohio MHAS made to this Board and separated the various funding streams by ALI and/or programs to identify Federal pass-through dollars. We compared the Departments' disbursement records vs. what was reported on the Board's SEFA for the reporting period 01/01/13 – 12/31/13 (current audit report on file with Ohio MHAS during our review period). Any variances in excess of the 5% threshold from the Departments' disbursements per CFDA funding source compared to the Board's expenditures reported on their SEFA are listed as follows:

CFDA	Program Name	MHAS Funding CY 2013	Reported in SEFA CY 2013	(\$) Difference	(%) Difference
93.958	MH Block Grant	\$91,017	\$54,367	\$36,650	40.3%
93.667	Title XX	\$82,555	\$48,974	\$33,581	40.7%

Objective #6 (Continued):

The Board explained that the total variance is due to a timing difference from when Ohio MHAS and the Board disbursed funds from the State. The SEFA is presented on a cash basis. As we reconciled the differences, we confirmed they were due to a timing issue based on the SEFA cut-off date of 12/31/13.

The variances are a result from the following timing differences:

- Any payments made to provider agencies between July and December 2012 but were not reimbursed/disbursed by the Department until after January 1, 2013, will appear on the 2012 SEFA instead of the 2013 SEFA.
- Any funds received in advance from the Department between July and December 2013, but were not paid out to provider agencies until after January 2014, will appear on the 2014 SEFA instead of the 2013 SEFA.

Objective #7:

Verify and determine data reported on the Board Level Report are within 5% (or \$5,000) per funding source (error rate) from the subrecipient's internal accounting records.

Review Techniques and Results from our Testing:

From OAKS, we obtained disbursements made to this Board and matched it against what was reported in the Board Level Report (BLR, a.k.a. – 040 Reports) for SFY 2014 (most recent report reviewed and on file with Ohio MHAS). During our review, we compared the Board's BLR to the Departments' disbursement records and to the Board's General Ledger (G/L).

The BLR accurately reflects the Board's internal accounting records within an acceptable margin of less than 5% error rate.

Objective #8:

Verify the Board has satisfied their requirement mandated under the Ohio Revised Code in preparing and submitting their Annual Report.

Review Techniques and Results from our Testing:

The Board has complied and published an Annual Report for Fiscal Year 2014, that meets the standards as required in ORC 340.03 (A)(10).

Objective #9:

Verify if our Subrecipient (i.e. – Board) has fulfilled their obligations required in OMB Circular A-133 §.400(d) in monitoring their Subrecipients (i.e. – Provider Agency).

Review Techniques and Results from our Testing:

From the annual questionnaire submitted by the Board, we identified the Provider Agencies that they contracted with during SFY 2015. We confirmed that the Board contracted with six provider agencies, of which three received Federal Funding passed-through from Ohio MHAS. We then inquired with Board's management as to the relationship they have established to determine if they need to perform subrecipient monitoring as mandated by OMB Circular A-133. All three Provider Agencies that the Board provided Federal Funding were designated as subrecipient's per OMB Circular A-133 §.210. In our monitoring efforts, we believe the Board is actively managing their responsibilities.

Objective #10:

Determine if the subrecipient has satisfied the requirements mandated in the Mental Health and Substance Abuse Prevention and Treatment (SAPT) Block Grant Assurances.

Review Techniques and Results from our Testing:

We reviewed the latest "Agreement and Assurances" document submitted to the Department along with the supporting documentation provided by the Board. Based on our testing, there were no exceptions regarding the assurances that relate to the fiscal compliance requirements.

Department's Desk Review Information (Section III):

The remaining section of this supplemental report will provide other information that we believe would be useful.

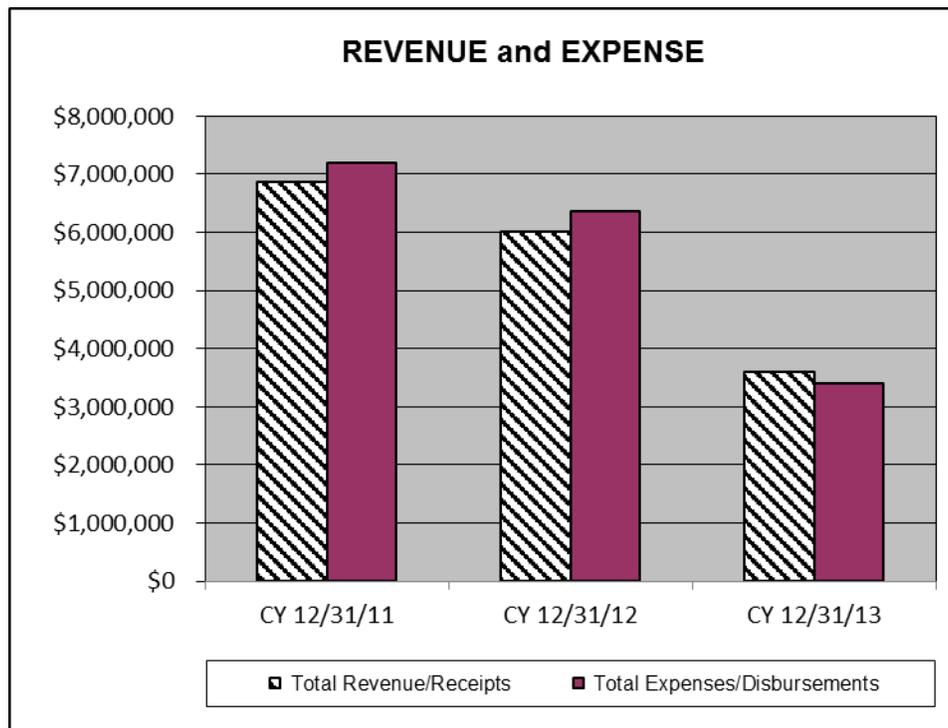
Background:

The Mental Health & Recovery Services Board of Seneca, Sandusky and Wyandot Counties 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. On July 1, 2013, the Ohio Department of Mental Health consolidated with the Ohio Department of Alcohol and Drug Addiction Services to form the Ohio Department of Mental Health and Addiction Services. With this consolidation, it provided the Board an option to be directed by either 18 members or 14 members Board of Trustees. The Board has chosen to have 14 members. The Board Trustees are appointed by the Director of Mental Health and Addiction Services and the legislative authorities of the political subdivision making up the Board. The Board of Trustees includes members appointed by those legislative authorities that are citizens of the Board area. The Board provides Mental Health and Addiction services and programs to citizens of the Board area. These services are provided primarily through contracts with private and public agencies.

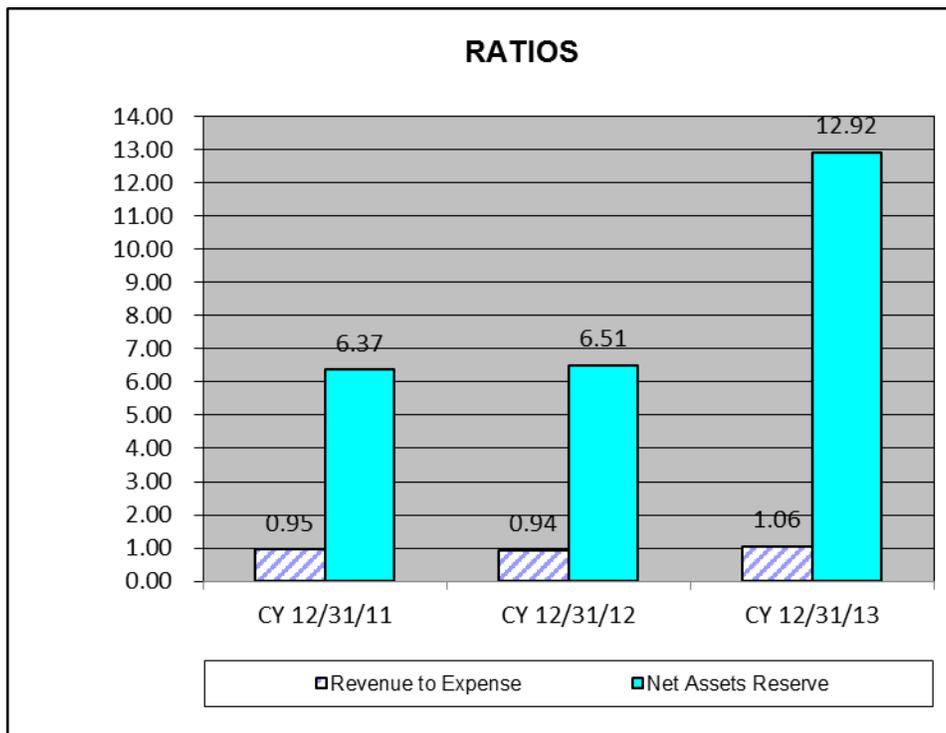
Financial Highlights:

The Department understands that in order for an organization to succeed in carrying out its goals and objectives, they must have adequate support. Policies will dictate the directions the local community pursues; however, their budget will set priorities/limitations as to how they achieve their goals.

REVENUE CHART:



RATIO CHART:



The above charts represent financial data obtained from their past three audits. Two Financial Key Performance Indicators that Ohio MHAS monitors are:

Revenue to Expense Ratio – This measures how the Board operated financially.

- In 12/31/13 for every \$1 of Expenses, they generated \$1.06 of Revenue.
- The Board operated at a gain in 12/31/13.
- Over the past three years, the Board's average annual Revenue was \$5.5 million.
- Over the past three years, the Board's average annual Expenses were \$5.7 million.
- Although the Board's average financial activities from 2011 – 2013 approx. \$5.5 million in Revenue and \$5.7 million in expenses, we noted these activities significantly decreased to \$3.6 and \$3.4 million respectively in 2013 due to the Statewide Medicaid Elevation. We anticipate a new revised average after those years have dropped off from the chart in the near future.

Net Assets Reserve Ratio – This measures how many months of reserve a Board can sustain their monthly expenses with no additional revenue.

- This ratio should be used over multiple periods to determine their financial situation.
- As of 12/31/13, the Board had reserves to cover 12.9 months of expenses without any additional revenue.
- With 12.9 months of reserves, this allows sufficient cash flow in their daily operations to assist them with their current and future financial planning.

Net Assets Reserve Ratio (Continued):

- The chart in the previous page indicates a sharp incline (doubled in 2013); however, this was caused by the Statewide Medicaid Elevation whereas the Board's monthly expenses have greatly reduced. We anticipate the chart should begin to level off in the near future.

Independent Audit Reports:

The Board obtains an annual audit as a stand-alone auditee. The Board's audit cycle is based on a Calendar Year and they are subject to the United States Office of Management and Budget (OMB) Circular A-133 audit requirements. For the previous three audits, Fiscal Years Ending (FYE) 12/31/11, 12/31/12, and 12/31/13, the Board was audited by the Ohio Auditor of State. These reports can be obtained through their website located at:

<http://www.auditor.state.oh.us/>

For the three FYE mentioned in the preceding paragraph, there was no audit findings relating to funds provided by Ohio MHAS that required further actions.

External Entities Visits:

For the past three years, the Board has been visited as follows:

Current (07/01/15 – 06/30/16) timeframe:

The Ohio Department of Mental Health and Addiction Services conducted a Stakeholder's Assistance Review (SAR). The main area of review was as follows:

1. Accountability of funds provided by the Department.
2. Funds provided by the Department were expended in accordance with laws, rules, contract agreements and regulations.
3. Funds provided by the Department were used for only allowable activities.
4. Accurate financial reporting (i.e. – form MHAS-FIS-040).
5. Close Out of funds provided (i.e. – unexpended funds).

The Board engages an audit from the Auditor of State annually. The main area of review was as follows:

1. Accurate financial reporting (i.e. – financial statements, SEFA, etc.)
2. Internal Controls (i.e. – proper approvals, segregation of duties, etc.)
3. Testing for adequate supporting documentation of financial transactions.
4. Compliance with Accounting Principles.

External Entities Visits (Continued):

5. Irregularities, Illegal Acts, and Non-compliance that is material to the financial statements (GAGAS audit).
6. Financial activities are in accordance with laws, rules, contract agreements, and regulations.
7. Federal Awards are used for only allowable activities (OMB Circular A-133).
8. Audit findings follow-ups.

One year ago (07/01/14 – 06/30/15) timeframe:

As stated in the previous page, the Auditor of State conducts an annual audit of the Board. Their area of focus was conducted during this timeframe.

The Board undergone a Subrecipient Monitoring Site Visit conducted by the Ohio Department of Public Safety, Office of Criminal Justice System during SFY 2015. The main area of review was as follows:

1. Budget overview, claim reimbursements, and expense details.
2. Personnel activities report, adjustment letters, detailed earning statements, pay period reports, and expense audit trail reports.
3. Pay-In receipt and revenue report.
4. Expense reports, expense audit trail reports and expense summary.

Two year ago (07/01/13 – 06/30/14) timeframe:

As stated in the previous page, the Auditor of State conducts an annual audit of the Board. Their area of focus was conducted during this timeframe.

Management Team & Staff:

At the end of SFY 2015, the Executive Director retired and the Board of trustees appointed a new Executive Director. Previously he served seven years as the Board's Deputy Director. The Board's administrative staff consists of three members (3 FTEs). The Deputy Director serves as Chief Financial Officer and this position is dedicated to handle the day-to-day accounting for the Board.

Contract Provider Agencies:

During the past year (SFY 2015), the Board contracted with six provider agencies and they contracted with eight provider agencies in the current year (SFY 2016). The Board plans on providing funds passed down from Ohio MHAS to four of these agencies in SFY 2016 and have classified all of them as Subrecipients in accordance with OMB Circular A-133 §.210. By having Subrecipients, the Board has certain responsibilities defined in §.400(d). In our monitoring efforts, we believe the Board is actively managing their responsibilities and we will continue to monitor them to ensure compliance.

Board's Budget and Actuals:

While monitoring this Board's financial activities, there were some variances between their Budget vs. their Actual expenditures. Key examples of these variances are as follows:

Funding Source	Service Category	SFY 2014 Budget	SFY 2014 Actual	Variance
Multiple	Collaborative Projects	\$4,632	\$165,285	(\$160,653)
Multiple	Individual CPST	535,073	395,855	139,218
Multiple	MH Residential Care	4,044	247,890	(243,846)
Multiple	Prevention Svc AOD Education	43,419	168,052	(124,633)

Our primary focus is to provide reasonable assurance of funds provided by the Department, therefore, we did not go into details regarding other Federal or Local funds. From reviewing the Budget to the Actuals, it appears the Board's funding has slightly changed from its original budget. Although, there wasn't any major termination of a program and/or services, we did notice some changes in funding priorities. As noted in the above chart, you can view what was planned investments vs. actual investments made towards specific services. Although there were significant variances, we believe the Board is properly managing their local systems based on needs. We will continue to monitor their future budgets against their actuals.

Irregularities in this Community:

To the best of our knowledge, no irregularities (i.e. – fraud, waste, abuse, etc.) have affected any funds passed down from the Department.