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| **SAMPLE MENTAL HEALTH REGION**  **INDEPENDENT AUDITOR’S REPORTS BASIC FINANCIAL STATEMENTS AND SCHEDULE OF FINDINGS   JUNE 30, 2019** |

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|  | ====== Office of ======  **AUDITOR OF STATE**  **State Capitol Building • Des Moines, Iowa**  ======================= |
|  |  |
|  | **Rob Sand** **Auditor of State** |
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Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is for a Region providing mental health services on the basis of an agreement between several member county governments, as provided for in Chapter 28E of the Code of Iowa.

Audits of mental health regions should be performed in accordance with U.S. 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, if applicable, Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the financial statements and the Schedule of Findings which are necessary to meet the requirements of this Office. The detail presented in the financial statements is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Region feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Regions with $750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning single audit requirements should be directed to the Region’s cognizant or oversight agency.

The findings on compliance, items (1) through (4), detail those items which are to be included regardless of whether there are instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Region for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) should be completed by the CPA firm or the Region and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.



Rob Sand  
 Auditor of State

**Report** – The Region or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the Region within nine months following the end of the fiscal year subject to audit. Text- searchable files are required for the following reasons:

* The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
* Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e. consistent with Federal requirements).
* Text-searchable files provide transparency to the public.

**Per Diem Audit Billing & News Release** – A copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies.

**Filing Fee** – The filing fee should be submitted based on the following designated budget strata:

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| --- | --- |
| Budgeted Expenditures in | Filing |
| Millions of Dollars | Fee Amount |
| Under 1 | $ 100 |
| At least 1 but less than 3 | 175 |
| At least 3 but less than 5 | 250 |
| At least 5 but less than 10 | 425 |
| At least 10 but less than 25 | 625 |
| 25 and over | 850 |

**Submission** – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to [SubmitReports@auditor.state.ia.us](mailto:SubmitReports@auditor.state.ia.us).

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Paper copies (if not submitted electronically) of the per diem audit billing and news release, as well as the filing fee, should be sent to the following address:

Office of Auditor of State

State Capitol Building

Room 111

1007 East Grand Avenue

Des Moines, IA 50319-0001

1. Revised the news release included in this Sample Mental Health Region report to include information on the findings identified during the audit.

**Additional Notes**

1. As a result of legislation enacted by the 2012 Legislature, Chapter 331.392(4)f requires an annual independent audit of the regional administrator. By definition, the regional administrator includes financial data reported in the Mental Health Fund of each member county and the pooled funds held and reported in a separate Agency Fund by the Region’s fiscal agent. The required disclosure of financial information for each member county’s Mental Health Fund is also included in Note 17 to the financial statements in the Sample County report.
2. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements. In addition, the Region presented in this sample report is not responsible for maintaining and reporting their own capital assets, therefore related disclosures are not presented. If capital assets apply to the Region, additional disclosures may be necessary.

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| \_\_\_\_\_\_\_\_\_\_\_ | NEWS RELEASE |  |
|  |  | Contact: |
| FOR RELEASE |  |  |

Auditor of State Rob Sand today released an audit report on the Sample Mental Health Region for the year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS:**

Sample Mental Health Region’s revenues totaled $\_\_\_\_\_\_\_\_\_ for the year ended June 30, 2019, a(n) \_\_% increase (decrease) from the prior year. Expenditures for the year ended June 30, 2019 totaled $\_\_\_\_\_\_\_\_\_, a(n) \_\_\_% increase(decrease) from the prior year. The significant increase (decrease) in receipts and disbursements is due primarily to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 25 through 27 of this report. The findings address issues such as a lack of reconciliation of expenditure claims to the community services network, miscoding of transactions between the fiscal agent and member counties and noncompliance with the minutes publications requirements of Chapter 28E.6 of the Code of Iowa. Sand provided the Mental Health Region with recommendations to address each of the findings.

The Mental Health Regional Governance Board has a fiduciary responsibility to provide oversight of the Regions’ operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity.

**(Note to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)**

A copy of the audit report is available for review on the Auditor of State’s web site at <https://auditor.iowa.gov/audit-reports>.

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**SAMPLE MENTAL HEALTH REGION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SCHEDULE OF FINDINGS  
  
JUNE 30, 2019**

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**Sample Mental Health Region  
  
Regional Governance Board**

Name Title Representing

Pam Biley Board Chair Member County D Board of Supervisors

Greg Cassidy Vice Chair Member County A Board of Supervisors

Pat Henry Board Member Member County B Board of Supervisors

Brad Lawyer Board Member Member County C Board of Supervisors

Doug Stamp Board Member Member County E Board of Supervisors

Charlene Claim Board Member Member County F Board of Supervisors

Leo Emerson Non-Voting Ex-Officio Board Member

Carla Lennon Non-Voting Ex-Officio Board Member

Julie Ledger Chief Executive Officer

Sample Mental Health Region

Independent Auditor’s Report

To the Regional Governance Board of Sample Mental Health Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sample Mental Health Region, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise Sample Mental Health Region’s basic financial statements listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the Special Revenue, Mental Health Funds of Member County A, Member County C and Member County D, which represent the following:



Those Special Revenue, Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Member County A, Member County C and Member County D, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Sample Mental Health Region’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sample Mental Health Region’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Opinions

*Basis for Adverse Opinion on the Governmental Activities*

As discussed in Note 3 to the financial statements, management has not recorded a liability for compensated absences in the governmental activities and, accordingly, has not recorded an expense for the current year change in that liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of Sample Mental Health Region and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflows of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. general accepted accounting principles require OPEB costs attributable to employee service already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflow of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects liabilities, deferred outflows of resources, deferred inflows amount of resources, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 3 to the financial statements, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded pension expense for the current year change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

*Adverse Opinion*

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion on the Governmental Activities” paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of Sample Mental Health Region as of June 30, 2019, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

*Unmodified Opinions*

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Sample Mental Health Region as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with U.S generally accepted accounting principles.

Other Matters

*Required Supplementary Information*

Management has omitted Management’s Discussion and Analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2020 on our consideration of Sample Mental Health Region’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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Sample Mental Health Region’s 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 Sample Mental Health Region’s internal control over financial reporting and compliance.

Marlys K. Gaston. CPA  
 Deputy Auditor of State

February 18, 2020

Sample Mental Health Region

Basic Financial Statements

Sample Mental Health Region  
  
Statement of Net Position   
  
June 30, 2019



Sample Mental Health Region  
  
Statement of Activities   
  
Year ended June 30, 2019



Sample Mental Health Region  
  
Balance Sheet   
  
June 30, 2019



Sample Mental Health Region

Statement of Revenues, Expenditures and   
Changes in Fund Balances  
  
Year ended June 30, 2019



(1) Summary of Significant Accounting Policies

Sample Mental Health Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Sample Mental Health Region includes the following member counties: Member County A, Member County B, Member County C, Member County D, Member County E and Member County F. The member counties entered into this 28E agreement on September 28, 2013 to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

Sample Mental Health Region’s Regional Governance Board is comprised of at least one Board of Supervisors’ member, or their designees, from each member county. The Regional Governance Board also includes two individuals who utilize mental health and disability services or are actively involved relatives of such an individual, serving in a nonvoting, ex officio capacity.

Sample Mental Health Region designated Member County B as the fiscal agent to account for all its funds as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, Sample Mental Health Region’s financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Sample Mental Health Region are intended to present the financial position and the changes in financial position of Sample Mental Health Region, which includes funds held by Sample Mental Health Region’s fiscal agent and funds held by the individual member counties in their respective Special Revenue, Mental Health Funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, Sample Mental Health Region has included all funds, organizations, agencies, commissions and authorities. Sample Mental Health Region has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with Sample Mental Health Region are such that exclusion would cause Sample Mental Health Region’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of Sample Mental Health Region to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Sample Mental Health Region. Sample Mental Health Region has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of Sample Mental Health Region.

The Statement of Net Position presents the assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Sample Mental Health Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of Sample Mental Health Region not expended directly from the Special Revenue, Mental Health Funds of the individual member counties.

The Special Revenue, Mental Health Funds of the member counties are used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, Sample Mental Health Region considers revenues to be available if they are collected by Sample Mental Health Region or a member county within 90 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by Sample Mental Health Region or a member county.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, Sample Mental Health Region funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is Sample Mental Health Region’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region’s policy is to pay the expenditure from restricted fund balance and then from less-restrictive unassigned fund balances.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most Sample Mental Health Region funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a member county’s Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is recorded as a deferred inflow of resources in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2018.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due to Other Governments – Due to other governments represents payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position which applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 90 days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

(2) Cash and Pooled Investments

Sample Mental Health Region’s deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Sample Mental Health Region is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by Sample Mental Health Region; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Sample Mental Health Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

1. Compensated Absences, Other Postemployment Benefits (OPEB) and Pension Plan

In accordance with statements of understanding between Sample Mental Health Region’s Regional Governance Board and each individual member county Board of Supervisors, Sample Mental Health Region’s Chief Executive Officer, the Coordinators of Disability Services and all support staff of Sample Mental Health Region remain employees of the respective individual member counties. The applicable portion of the employee’s wages and benefits are reimbursed to the individual member county by Sample Mental Health Region.

The individual member county employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The individual member county employees are also provided other postemployment and pension benefits. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items in the governmental activities financial statements. Sample Mental Health Region’s governmental activities financial statements do not report these amounts.

1. Risk Management

Sample Mental Health Region is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Sample Mental Health Region assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three fiscal years.

Sample Mental Health Region

Independent Auditor’s Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Regional Governance Board of Sample Mental Health Region:

We have audited in accordance with U.S. 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, the financial statements of the governmental activities and each major fund of Sample Mental Health Region as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise Sample Mental Health Region’s basic financial statements, and have issued our report thereon dated February 18, 2020. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Special Revenue, Mental Health Funds of Member County A, Member County C and Member County D, as described in our report on Sample Mental Health Region’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Mental Health Region’s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample Mental Health Region’s internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Mental Health Region’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Region’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Mental Health Region’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Sample Mental Health Region’s operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Sample Mental Health Region. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Mental Health Region’s Responses to the Findings

Sample Mental Health Region’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Sample Mental Health Region’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of Sample Mental Health Region’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample Mental Health Region’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Mental Health Region during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Marlys K. Gaston, CPA  
 Deputy Auditor of State

February 18, 2020

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

1. Community Services Network Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling mental health expenditure claims to amounts recorded to the Community Services Network (CSN) to ensure the accuracy of claims paid.

Condition – Mental Health expenditure claims were not reconciled to CSN throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile mental health expenditure claims to CSN.

Effect – The lack of a monthly reconciliation increases the probability errors in recording will go undetected.

Recommendation – The Region should establish procedures to ensure a monthly reconciliation of mental health expenditure claims to CSN is completed. An independent person should review the reconciliations. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Region will ensure a reconciliation between CSN and the County Auditor’s expenditure report is completed on a monthly basis and provide documentation that the two match. After completing the reconciliation process in CSN, claims staff will print the monthly expenditure report, ensure it matches the County Auditor’s report and sign and date the report. On a quarterly basis, the Financial Manager will run an independent report from CSN, comparing it with the County Auditor’s monthly report and then sign off and date that it is complete.

Conclusion – Response accepted.

1. Mental Health Financial Reporting

Criteria – Elimination entries are necessary to reduce revenues and expenditures in Sample Mental Health Region’s annual report for financial activity occurring between the fiscal agent and the member counties. The Uniform Chart of Accounts for Iowa County Governments provides the coding necessary for identifying the elimination activity.

Condition – During the audit, we identified transactions between the fiscal agent and member counties which were not properly coded.

Cause – Policies have not been established and procedures have not been implemented to reconcile financial activity occurring between the fiscal agent and the member counties and ensure financial activity is properly coded.

Effect – Adjustments were subsequently made by Sample Mental Health Region to properly report and eliminate these transactions in the financial statements.

Recommendation – Sample Mental Health Region should establish procedures to monitor the coding of revenues and expenditures in accordance with the Uniform Chart of Accounts for Iowa County Governments to ensure proper reporting in the financial statements.

Response – Sample Mental Health Region’s CEO will meet with each County Auditor of the region to address the coding issues noted above.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

(1) Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.

However, minutes of Regional Governance Board meetings were not published as required by Chapter 28E.6(3)(a) of the Code of Iowa.

Recommendation – Sample Mental Health Region should ensure the minutes are published as required.

Response – The Region will ensure the minutes are published in the main newspapers in the member County where the Regional Governance Board meeting is held.

Conclusion – Response accepted.

(2) Travel Expense – No expenditures of Sample Mental Health Region money for travel expenses of spouses of officials or employees were noted.

(3) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and Sample Mental Health Region’s investment policy were noted.

(4) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

This audit was performed by:

Marlys K. Gaston, CPA, Deputy Auditor of State

John Q. Review, CPA, Manager

Margo Setter, CPA, Senior Auditor

Jeremy J. Warning, Staff Auditor