

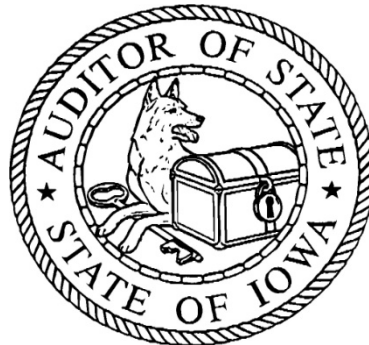
**FY2024**This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.

**SAMPLE MENTAL HEALTH CENTER**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS**

**JUNE 30, 2024**

==== Office of ====  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**Rob Sand**  
Auditor of State





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004  
Telephone (515) 281-5834

Rob Sand  
Auditor of State

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.

Audits of community mental health centers should be performed in accordance with auditing standards generally accepted in the United States of America, 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 Requirements, 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 as set forth in the AICPA Industry Audit and Accounting Guide Not-For-Profit Organizations.

The format shows the financial statements and the report on internal control and compliance 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 Center 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.

FY24 Mental Depreciation expense has been recognized in these financial statements as recommended by the Industry Audit and Accounting Guide and as required by Financial Accounting Standards Board Statement Number 93.

Centers 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 Center's cognizant or oversight agency.

In accordance with the Uniform Guidance, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <https://www.fac.gov>. The system requires the reporting package be uploaded in a single PDF file.

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

In accordance with Chapter 230A.110 of the Code of Iowa, a copy of the report should also be filed with the Director of the Iowa Department of Health and Human Services, Division of Behavioral Health, Lucas Building, 321 East 12<sup>th</sup> Street, Des Moines, Iowa 50319 and with each County Board of Supervisors supporting the mental health center.

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 Center 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 Center 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 other 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.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

## Office of Auditor of State

### Report Filing Requirements

**Report** – The Mental Health Center 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 Center 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 and 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.

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

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.

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, IA 50319-0001

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## **Sample Mental Health Center**

### **Outline of Major Changes**

#### **Additional Notes**

1. For Mental Health Centers with an early retirement or other benefit plan or policy which meets the definition of a “termination benefit”, as defined by FASB Statement No. 88, see the “Additional Notes” section of the Sample Community School District report for an example footnote disclosure in accordance with GASB Statement No. 47 which may be used for guidance.
  2. This sample report does not include a liability for other postemployment benefits or postretirement benefits other than pensions. If the Mental Health Center has an implicit or explicit other postemployment benefit or postretirement benefit other than pensions, the liability should be reported in accordance with similar FASB guidance. Other sample reports issued by the Office of Auditor of State include other postemployment benefit liabilities reported in accordance with GASB Statement No. 75 and these reports may be used for guidance.
  3. This sample report does not include intangible assets. If the Mental Health Center has intangible assets, the assets should be reported in accordance with similar FASB guidance. Other sample reports issued by the Office of Auditor of State include intangible assets reported in accordance with GASB Statement No. 51 and these reports can be used for guidance.
  4. If the Mental Health Center has federal expenditures of \$750,000, review the FY2024 Sample County report for single audit reporting.
-



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Rob Sand  
Auditor of State

NEWS RELEASE

Contact:

FOR RELEASE

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Auditor of State Rob Sand today released an audit report on Sample Mental Health Center, Anywhere, Iowa.

**FINANCIAL HIGHLIGHTS:**

The Center had public support and revenues of \$\_\_\_\_\_ for the year ended June 30, 2024, a(n) \_\_\_\_\_ % increase (decrease). Expenses for the Center's operations for the year ended June 30, 2024 totaled \$\_\_\_\_\_, a(n) \_\_\_\_\_ % increase (decrease). The significant increase (decrease) in revenues and expenses is due primarily to \_\_\_\_\_.

**AUDIT FINDINGS:**

Sand reported four findings related to the receipt and disbursement of Sample Mental Health Center funds. They are found on pages 22 through 24 of this report. The findings address issues such as a lack of segregation of duties and material amounts of receivables and property and equipment acquisitions not properly recorded in the Center's financial statements. Sand provided the Center with recommendations to address each of the findings.

Three of the findings discussed above are repeated from the prior year. The Board of Directors has a fiduciary responsibility to provide oversight of the Center's 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 finding, including material weaknesses, significant noncompliance and all Federal findings. Auditor judgment 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 website at [Audit Reports – Auditor of State](#).

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**SAMPLE MENTAL HEALTH CENTER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2024**



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**Sample Mental Health Center**

**Board of Directors**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Mary Smith	President	Jan 2026
Bill Jones	Vice-President	Jan 2025
Joe Miller	Secretary	Jan 2028
Nancy Moore	Treasurer	Jan 2026
Jane Brown	Member	Jan 2025
Sue Long	Member	Jan 2026
Bob Martin	Member	Jan 2028
George Hays	Executive Director	Indefinite



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Independent Auditor's Report

To the Board of Directors of Sample Mental Health Center:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sample Mental Health Center, which comprise the Statement of Financial Position and the related Statements of Activities, Functional Expenses and Cash Flows as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Sample Mental Health Center as of June 30, 2024 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Sample Mental Health Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sample Mental Health Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Sample Mental Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sample Mental Health Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2024 on our consideration of Sample Mental Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 Center'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 Center's internal control over financial reporting and compliance.

Brian R. Brustkern, CPA  
Deputy Auditor of State

October 21, 2024

**Sample Mental Health Center**

## **Financial Statements**

**Exhibit A**

---

Sample Mental Health Center  
Statement of Financial Position  
June 30, 2024

<b>Assets</b>	
Cash and cash equivalents	\$ 64,000
Accounts receivable for patient services, less allowance for doubtful accounts of \$4,300	50,319
Prepaid expenses	4,090
Property and equipment, net of accumulated depreciation	<u>279,640</u>
<b>Total assets</b>	<b><u>\$ 398,049</u></b>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable	\$ 5,016
Compensated absences	<u>4,300</u>
Total liabilities	9,316
Net assets - without donor restrictions	<u>388,733</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 398,049</u></b>

See notes to financial statements.

Sample Mental Health Center

Statement of Activities

Year ended June 30, 2024

Public support and revenues:	
Public support:	
Sample County	\$ 413,599
Local County	31,503
Anywhere County	60,338
Prevention and Treatment of Substance Abuse Block Grant	500
Community Mental Health Services Block Grant	26,000
Contributions	<u>852</u>
Total public support	532,792
Revenues:	
Patient services and Title XIX	<u>141,249</u>
Total public support and revenues	<u>674,041</u>
Expenses:	
Program services:	
Community services programs	104,906
Mental health center programs	<u>462,259</u>
Total program services	567,165
Support services	<u>169,819</u>
Total expenses	<u>736,984</u>
Change in net assets from operations	<u>(62,943)</u>
Other changes in net assets:	
Investment income	<u>7,837</u>
Other changes in net assets	<u>7,837</u>
Change in net assets	(55,106)
Net assets beginning of year	<u>443,839</u>
Net assets end of year	<u>\$ 388,733</u>

See notes to financial statements.



Sample Mental Health Center  
Statement of Functional Expenses  
Year ended June 30, 2024

	Program Services			
	Community Services Programs		Mental Health Center Programs	Total
	Health Services	Other Services		
Salaries	\$ 67,340	17,444	238,803	323,587
Payroll tax	4,507	1,168	15,978	21,653
Employee group insurance	2,440	632	8,649	11,721
Retirement plan contribution	906	235	3,210	4,351
Total salaries and related expenses	75,193	19,479	266,640	361,312
Consultation	-	-	108,346	108,346
Rent	-	-	780	780
Dues and subscriptions	-	-	1,720	1,720
Repair and maintenance	-	-	14,850	14,850
Insurance	-	-	7,735	7,735
Postage	-	69	1,731	1,800
Professional fees	-	-	-	-
Professional supplies	-	-	748	748
Travel	636	2,802	1,865	5,303
Conferences	956	416	4,161	5,533
Utilities and telephone	-	705	11,692	12,397
Advertising	-	-	1,161	1,161
Office supplies	-	4,436	-	4,436
Emergency services	-	-	10,003	10,003
Provision for doubtful accounts	-	-	12,100	12,100
Miscellaneous	-	214	544	758
	1,592	8,642	177,436	187,670
Total expenses before depreciation	76,785	28,121	444,076	548,982
Depreciation	-	-	18,183	18,183
Total expenses	\$ 76,785	28,121	462,259	567,165

See notes to financial statements.

Support Services, Management and General	Total
118,302	441,889
7,919	29,572
4,287	16,008
1,591	5,942
132,099	493,411
-	108,346
-	780
430	2,150
3,712	18,562
860	8,595
433	2,233
7,684	7,684
-	748
1,980	7,283
1,817	7,350
2,923	15,320
-	1,161
12,791	17,227
-	10,003
-	12,100
544	1,302
33,174	220,844
165,273	714,255
4,546	22,729
169,819	736,984

**Sample Mental Health Center**

Sample Mental Health Center

Statement of Cash Flows

Year ended June 30, 2024

Cash flows from operating activities:	
Cash received from counties	\$ 505,440
Cash received from block grants	26,500
Contributions received	852
Cash received from patient services and Title XIX	142,100
Cash paid to employees and suppliers	<u>(713,968)</u>
Net cash used for operating activities	(39,076)
Cash flows from investing activities:	
Interest received	<u>7,837</u>
Net decrease in cash and cash equivalents	(31,239)
Cash and cash equivalents beginning of year	<u>95,239</u>
Cash and cash equivalents end of year	<u>\$ 64,000</u>
<b>Reconciliation of change in net assets from operations to net cash used for operating activities:</b>	
Change in net assets from operations	\$ (62,943)
Adjustments to reconcile change in net assets from operations to net cash used for operating activities:	
Depreciation expense	22,729
Change in assets and liabilities:	
Accounts receivable	851
Prepaid expenses	(90)
Accounts payable	<u>377</u>
Net cash used for operating activities	<u>\$ (39,076)</u>

See notes to financial statements.

Sample Mental Health Center

Notes to Financial Statements

June 30, 2024

**(1) Summary of Significant Accounting Policies**

A. Reporting Entity

Sample Mental Health Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Sample, Local and Anywhere Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

E. Assets and Liabilities

The following accounting policies are followed in preparing the Statement of Financial Position:

Cash and Cash Equivalents – The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables – Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of individual patient balances.

Property and Equipment – Property and equipment is stated at cost. Donated property and equipment are valued at the estimated fair value on the date of donation. Property and equipment are defined as assets with initial, individual costs in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 40 years.

Compensated Absences – Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2024.

F. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

G. Medicaid

The Medicaid program reimburses the Center for services as defined in various agreements. The basis for reimbursement under these agreements may include discounts from established charges and prospectively determined rates or may be based on a cost reimbursement methodology. Under this methodology, the Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports. The Center's Medicaid cost reports are subject to final settlement.

H. Functional Expenses Allocations

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. The allocation of expenses shown on the statement of functional expenses is made by direct assignment of costs of functional categories where a direct relationship exists. Salaries, payroll taxes and benefits are allocated based on time and effort. The allocation of all other expenses is based on the estimate of time and costs utilized.

I. Income Taxes

The Center is exempt under Section 501(c)(3) of the Internal Revenue Code from federal and state taxes on related income. The Center is, however, subject to federal and state income taxes on any net unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

**(2) Liquidity and Availability of Financial Assets**

Financial assets available for general expenses within one year of the balance sheet date, comprise the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 64,000
Accounts receivable, net	<u>50,319</u>
Financial assets available for general expenses within one year	
	<u>\$ 114,319</u>

As part of the Center’s liquidity management policy, it has a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. The Center does not hold lines of credit to manage its liquidity.

**(3) Property and Equipment**

A summary of property and equipment follows:

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 36,775
Building	306,753
Furniture and fixtures	<u>69,887</u>
Total cost	413,415
Less accumulated depreciation	<u>(133,775)</u>
Net	<u>\$ 279,640</u>

**(4) Pension and Retirement Plan**

The Center contributes to the Center Retirement Plan (CRP), a defined contribution pension plan, for all full-time employees who have completed one year of service. CRP is authorized by the Center’s by-laws which is administered by XYZ Insurance Company.

Benefit terms, including contribution requirements, for CRP are established and may be amended by the Board of Directors. For each employee in the pension plan, the Center is required to contribute 5% of annual salary to an individual employee account. Additionally, each plan participant must contribute 3% of their annual salary and all such payments are accumulated and invested for individual participants of the plan. Amounts credited to individual participants are 100% vested immediately. The accumulated monies are paid upon a participant’s retirement or termination.

For the year ended June 30, 2024, employee contributions totaled \$3,565 and the Center recognized pension expense of \$5,942.

At June 30, 2024, the Center reported payables to the defined contribution pension plan of \$507 for legally required employer contributions and \$304 for legally required employee contributions which had been withheld from employee wages but not yet remitted to CRP.

**(5) Risk Management**

The Center 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. The Center assumes 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 years.



**Sample Mental Health Center**



**OFFICE OF AUDITOR OF STATE**  
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Rob Sand  
Auditor of State

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 Board of Directors of Sample Mental Health Center:

We have audited, 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, the financial statements of Sample Mental Health Center, Iowa, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated October 21, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Mental Health Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Mental Health Center's internal control.

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 that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **(Use for Note 1, Note 2, Note 3)**

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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. **(Note 4 only)**

**(Use this paragraph rather than preceding paragraph for Note 1)** Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**(Use this paragraph rather than preceding two paragraphs for Note 2, Note 3)** Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. (add bold for Note 2 only)** We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2024-XXX through 2024-XXX that we consider to be significant deficiencies. **(delete “significant deficiencies” add “material weaknesses.” for Note 3)**

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 that a material misstatement of the Center’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-001 and 2043-002 to be material weaknesses. **(Use this for Note 4 only)**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2024-003 to be a significant deficiency. **(Use this for Note 4 only)**

#### Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Center’s operations for the year ended June 30, 2024 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. 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 comment involving statutory and other legal matters is not intended to constitute legal interpretations of those statutes.

#### Sample Mental Health Center’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Sample Mental Health Center’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Sample Mental Health Center’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center'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 Center 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.

Brian R. Brustkern, CPA  
Deputy Auditor of State

October 21, 2024

**Note 1: No material weaknesses and no significant deficiencies.**

**Note 2: No material weaknesses but significant deficiencies exist.**

**Note 3: Material weaknesses exist but no significant deficiencies.**

**Note 4: Both material weaknesses and significant deficiencies exist.**

Sample Mental Health Center

Schedule of Findings

Year ended June 30, 2024

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2024-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Center’s financial statements.

Condition – Generally, one individual in the Center has control over receipts and performs all record-keeping and reconciling functions.

Cause – The Center has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Center’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Center should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff to provide additional control through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control.

Conclusion – Response accepted.

2024-002 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Center’s financial statements.

Condition – Material amounts of receivables and property and equipment acquisitions were not properly recorded in the Center’s financial statements. Adjustments were subsequently made by the Center to properly include these amounts in the financial statements.

Sample Mental Health Center

Schedule of Findings

Year ended June 30, 2024

Cause – Center policies do not require, and procedures have not been established to require independent review of year end cut-off transactions or property and equipment additions to ensure the Center’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Center employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Center’s financial statements were necessary.

Recommendation – The Center should establish procedures to ensure all receivables and property and equipment acquisitions are identified and properly reported in the Center’s financial statements.

Response – We will double check these in the future to avoid missing any receivables or property and equipment transactions.

Conclusion – Response accepted.

2024-003 Restrictive Endorsement

Criteria – An effective internal control system provides for internal controls related to ensuring the safety of Center assets.

Condition – Restrictive endorsements were not placed on checks immediately upon receipt.

Cause – Procedures have not been designed and implemented to ensure the safety of center assets.

Effect – Lack of restrictive endorsement can result in an opportunity for misappropriation.

Recommendation – Restrictive endorsements should be placed on all checks immediately upon receipt.

Response – We will endorse checks immediately upon receipt.

Conclusion – Response accepted.

Sample Mental Health Center

Schedule of Findings

Year ended June 30, 2024

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

2024-A Unallowable Costs – Of the \$3,000 of grant funds tested, \$197 was expended for inpatient hospital care which does not appear to be allowable in accordance with grant regulations.

Recommendation – The Center should contact the Iowa Department of Health and Human Services to determine the disposition of this matter.

Response – We will contact the Iowa Department of Health and Human Services immediately.

Conclusion – Response accepted.

Sample Mental Health Center

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy  
Joan Q. Review, CPA, Manager  
Jerome Warning, CPA, Senior Auditor