

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

Adrian, Michigan

REPORT ON EXAMINATION

Fiscal Year Ended September 30, 1978

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

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REPORT ON EXAMINATION

Fiscal Year Ended September 30, 1978

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LOUZELLA SEEBURGER

*Certified Public Accountant*

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February 8, 1979

Community Mental Health Services  
of Lenawee County  
Adrian, Michigan

We have examined the statement of assets and liabilities of the Community Mental Health Services of Lenawee County as of September 30, 1978, and the related statement of fund change, for the fiscal year then ended, on a modified accrual basis of accounting, and thus do not include the investment in office equipment and fixtures and other sundry equipment. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Community Mental Health Services of Lenawee County has not maintained a record of its general fixed assets group of accounts, and accordingly a statement of general fixed assets as required by generally accepted accounting principles is not included in the financial report.

Our examination of receipts from client fees (including self-pay and independent insurance collections) was limited to test comparisons of duplicate records filed with the Lenawee County Treasurer with the daily cash record and the cash receipts records. We did not follow the generally accepted auditing procedures of asking clients or the various insurance carriers to confirm amounts owing to the Community Mental Health Services of Lenawee County.

Our examination was limited to the financial records of the Community Mental Health Services of Lenawee County and thus we do not express an opinion on the compliance of all practices and policies with Michigan's Mental Health Code.

In our opinion, subject to the above paragraphs, the accompanying statements present fairly the assets and liabilities at September 30, 1978, and the recorded transactions of revenue and expenditures for the fiscal year then ended.

*Louzella Seeburger*

Certified Public Accountant

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

STATEMENT OF ASSETS AND LIABILITIES  
September 30, 1977 and September 30, 1978

<u>ASSETS</u>	September 30, 1977			Combined
	Substance Abuse	Mental Health	Hendershot (Note 2)	
<u>Cash Assets</u>				
Cash on hand		\$ 170.00		\$ 170.00
Cash on deposit				
Lenawee County Treasurer		73,476.90		73,476.90
First Federal Savings & Loan Association of Lenawee County			\$77,795.88	77,795.88
United Savings Bank of Tecumseh Certificate of deposit - Maturity date August 1979 - 8.6%				
Total Cash Assets		73,646.90	77,795.88	151,442.78
<u>Collectible Assets</u>				
State of Michigan - Reimbursement Collectible accounts (Schedule I)	\$10,758.30	74,088.00		
Interfund receivable/payable	( 8,595.97)	8,595.97		
Total Collectible Assets	2,162.33	97,642.77		99,805.10
<u>Investment Assets</u>				
Land (Note 4)			3,600.00	
Securities (Note 3)			15,752.00	
Total Investment Assets			19,352.00	19,352.00
<u>Other Assets</u>				
Deferred expense - Conference expense Professional contracts				
Prepaid rent		4,224.58		
Total Other Assets		4,224.58		4,224.58
<u>TOTAL ASSETS</u>	<u>\$ 2,162.33</u>	<u>\$175,514.25</u>	<u>\$97,147.88</u>	<u>\$274,824.46</u>

LIABILITIES AND FUND EQUITY

<u>Liabilities</u>				
Accounts payable	\$ 2,162.33	\$ 25,953.21		\$ 28,115.54
Fee collection to be reimbursed				
Accrued payroll		4,988.24		4,988.24
State of Michigan - Current year				
Prior years (Note 6)		21,163.00		21,163.00
Lenawee County				
Total Liabilities	2,162.33	52,104.45		54,266.78
<u>Deferred Revenue-Lenawee County Allocations</u>				
Fourth quarter 1977		6,414.00		6,414.00
Fourth quarter 1978				
1979				
Total Deferred Revenue				
<u>Fund Equity (Exhibit II)</u>				
Fund Balance - September 30, 1977		116,995.80	\$97,147.88	214,143.68
September 30, 1978				
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 2,162.33</u>	<u>\$175,514.25</u>	<u>\$97,147.88</u>	<u>\$274,824.46</u>

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEЕ COUNTY

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NOTES TO THE FINANCIAL STATEMENTS  
September 30, 1978

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1. The records of the Community Mental Health Services of Lenawee County were maintained on a modified accrual basis of accounting during the fiscal year ended September 30, 1978. The records were maintained in compliance with "fund" accounting and included the following funds:

Substance Abuse  
Mental Health  
Hendershot Fund

Plant assets are not included in the statement of assets and liabilities for office furniture and fixtures, and other sundry operating equipment.

2. The Hendershot Fund was established on December 15, 1975, when \$61,340.31 was received from the Glenn C. Hendershot Estate (Probate Court of Lenawee file number 20810). The Lenawee County Mental Health Services Board was named as residual legatee in the last will and testament of Glenn C. Hendershot. The partial distribution also included the following securities:

St. Vincent Hospital 7% Serial notes	\$4,000
Union Hospital, Inc. 9% Mortgage serial bonds	3,000
Chemical Fund, Inc. 594,710 shares common stock	2,316
Consumers Power Company 35 shares common stock	201
Atlantic Richfield Company 20 shares common stock	1,055
Lenawee Farm Bureau Oil Co-Operative, Inc. 1 share common stock	10
T. Rowe Price Growth Stock Fund, Inc. 1,140,583 shares of common stock	5,070
Hamilton International Corporation 200 shares of common stock	100

valued per the estate tax return of Glenn C. Hendershot, deceased.

On December 10, 1976 Lenawee County Probate Court approved final distribution of estate assets which included \$5,213.56 in cash, and four parcels of real estate:

Lots 16 and 17, Plat of Brookmeade Estates Tecumseh Township, Lenawee County, Michigan	\$2,400
Lots 5 and 6, Block 5 of SUN-AIRE, in accordance with the plat thereof on file in Office of County Clerk, Luna County, New Mexico	1,200

The bequest was provided "to assist in research in the causes and treatment of mental illness."

All revenue pertaining to the bequest has been retained in the Hendershot Fund, until designated for a specific project or projects in compliance with the last will and testament of Glenn C. Hendershot and the policy established by the Board of Directors at the December 16, 1976 Board meeting.

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

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NOTES TO THE FINANCIAL STATEMENTS  
September 30, 1978

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3. During the fiscal year the Hendershot Fund securities at Probate Court valuation of \$11,762 were sold for \$25,238.41; a net gain on disposition of \$13,476.41.
4. The Hendershot Fund non-cash investments at September 30, 1978 were the following:

	<u>Acquisition Value Estate of Glenn Hendershot</u>
<u>Land</u>	
Luna County, New Mexico SUNAIRE lots 5 and 6	\$ 1,200
Tecumseh Township, Michigan Brookmeade Estate lots 16 and 17	<u>2,400</u>
Total (Exhibit I)	<u>\$ 3,600</u>
 <u>Securities</u>	
Lenawee Farm Bureau Oil Co-Operative - \$10 par	<u>\$ 10</u>

The Brookmeade Estate lots are not currently marketable for immediate residential construction and will be thus restricted until the Brookmeade Estate subdivision is serviced with a sanitary sewer system.

5. The Community Mental Health Services of Lenawee County received \$10,758.30 from the State of Michigan - Department of Public Health re the OSAS Grant for the fifteen month period ended September 30, 1976.
6. Written confirmation has been received from the Department of Public Health that an additional \$5,000 liability has been accepted by their department (reimbursement received October 1978). The Substance Abuse equity deficit of \$6,882.64 at September 30, 1976 has been adjusted to reflect a net deficit of \$1,882.64, which is \$1 less than the disallowed grant reimbursement of expenditures. The moneys upon receipt are to be deposited in the Mental Health Fund as reimbursement of 1976 expenditures by the Mental Health Fund for liabilities incurred by the Substance Abuse Program.
7. Collectible assets as of September 30, 1978 include service fees collectible from self-pay clients, independent insurance carriers, Medicaid, and Blue Cross-Blue Shield. The provision of uncollectibility has been established on a basis of past collection history.
8. The 1977 Dodge van on order at September 30, 1977 was donated to Lenawee Transportation Corporation (Hustle) on October 2, 1978 in exchange for reduced price services to Community Mental Health Services of Lenawee County clients. According to the agreement with Lenawee Transportation Corporation, a vehicle of equivalent valuation will be returned to Community Mental Health Services of Lenawee County should they find Hustle services unsatisfactory and withdraw from the agreement or should Lenawee Transportation Corporation go out of operation.

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

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NOTES TO THE FINANCIAL STATEMENTS  
September 30, 1978

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9. Lenawee County Board of Commissions budgeted a calendar year 1978 allocation to the Community Mental Health Services of Lenawee County of \$34,110.
10. The Auditor's General Examination for the period ended September 12, 1974 disclosed a liability to the State of Michigan to reimburse the State of Michigan for \$21,163 received in excess of allowable reimbursement for periods ending prior to July 1, 1974. The State of Michigan has not indicated an intent to collect this amount, nor has it been determined that subsequent allocations have been decreased by this amount.
11. In order to function as an operating unit and take into consideration assets that can not be converted into instant cash, a minimum reserve for working capital should be established between \$125,000 and \$145,000 (approximately a 75 to 90 day cash requirement).
12. The Community Mental Health Services of Lenawee County may have a contingent liability to the State of Michigan Department of Mental Health for reimbursement of moneys received in excess of program expenditures for the current or prior periods.
13. The Community Mental Health Services of Lenawee County may have a contingent liability to Washtenaw County and other counties within Michigan for patient services provided by Community Mental Health Boards in other counties.
14. The Community Mental Health Services of Lenawee County may have a contingent liability to Lenawee County re disputed policy procedures on

recruitment advertising	\$4,290.22
employee physical examinations	180.00
	<u>\$4,470.22</u>
15. The Community Mental Health Services of Lenawee County may have a contingent liability if the current building facilities lease were terminated before the contracted date for revenue variance suffered by the lessor.

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

STATEMENT OF MENTAL HEALTH COLLECTIBLE ASSETS  
September 30, 1977 and September 30, 1978

	<u>9/30/77</u>	<u>9/30/78</u>
<u>Collectible Assets</u>		
Fee reimbursements		
Medicaid	\$ 7,727.20	\$ 6,598.80
Insurance	7,860.90	9,757.15
Self pay	12,744.50	11,605.75
Other claims	<u>1,585.00</u>	<u>1,535.00</u>
	29,917.60	29,496.70
Less allowance for uncollectibility	( 14,958.80)	( 5,899.34)
Total anticipated fee collections	<u>14,958.80</u>	<u>23,597.36</u>
 Other receivables		
Department of Human Services - Rent		98.28
Lenawee County Sheriff - Gas		959.24
Employees		<u>137.63</u>
 Total Collectible Assets (Exhibit I)	 <u>\$14,958.80</u>	 <u>\$24,792.51</u>



COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEЕ COUNTY

STATEMENT OF CHANGE IN FUND BALANCE  
For the Fiscal Year Ended September 30, 1978

	Substance Abuse	Mental Health	Hendershot Fund	Combined
<u>Fund Balance - October 1, 1977 (Exhibit I)</u>	\$ -0-	\$116,995.80	\$ 97,147.88	\$214,143.68
<u>Prior Year Adjustments</u>				
State of Michigan Department of Public Health	5,000.00			
Substance abuse deficit overstated	( 5,000.00)	5,000.00		
Cash on hand understated		50.00		
October 1, 1977 unrecorded gas deposit		1,079.00		
October 1, 1977 accounts payable overstated		254.00		
Rental receivable understated		524.16		
Patient fee receivable overstated		( 70.00)		
Payable for group insurance understated		( 3,530.53)		
Investment overstated			( 4,000.00)	
	<u>-0-</u>	<u>3,306.63</u>	<u>( 4,000.00)</u>	<u>( 693.37)</u>
<u>Adjusted Fund Balance - October 1, 1977</u>	<u>\$ -0-</u>	<u>120,302.43</u>	<u>93,147.88</u>	<u>213,450.31</u>
<u>Net Revenue in Excess of Expenditures</u>				
<u>Revenue</u>				
State of Michigan				
Department of Mental Health		485,281.00		
Title XX		20,500.00		
Lenawee County appropriations		27,578.50		
Charges for services				
Intermediate School District		6,000.00		
Outpatient		44,167.55		
Outpatient - Medicaid		10,141.50		
Day Treatment		2,320.00		
Contributions - Tecumseh United Fund		2,100.00		
Miscellaneous		52.00		
Cash over (short)		( 25.00)		
Investment interest and dividends			4,382.49	
Gain on disposition of securities			13,476.41	
		<u>598,115.55</u>	<u>17,858.90</u>	
Interfund contribution		1,225.00	( 1,225.00)	
Total Revenue		<u>599,340.55</u>	<u>16,633.90</u>	615,974.45
<u>Expenditures (Schedule II)</u>				
Salaries including fringe benefits		346,767.61		
Contracted services		147,103.28		
Operations		78,757.95		
Real estate tax			272.50	
Fixed asset acquisition		6,284.73		
Uncollectible accounts		1,464.29		
Total Expenditures		<u>580,377.86</u>	<u>272.50</u>	580,650.36
Net Addition to Fund Balance		<u>18,962.69</u>	<u>16,361.40</u>	<u>35,324.09</u>
<u>Fund Balance - September 30, 1978</u> (Exhibit I)		<u>\$139,265.12</u>	<u>\$109,509.28</u>	<u>\$248,774.40</u>

COMMUNITY MENTAL HEALTH SERVICES  
OF LENAWEE COUNTY

STATEMENT OF MENTAL HEALTH EXPENDITURES  
For the Fiscal Year Ended September 30, 1978

	Admin- istration	Consultation and Education	Outpatient-Mental	
			Illness	Retardation
<u>Salaries</u>				
State of Michigan reimburseable	\$ 45,852.87	\$ 8,211.69	\$108,413.15	\$27,430.69
Non-reimburseable	1,785.00		1,500.00	
Fringe benefits - Payroll taxes	5,154.83	125.63	12,991.16	3,440.52
Group insurance	1,419.25	143.63	2,816.11	701.62
	<u>54,211.95</u>	<u>8,480.95</u>	<u>125,720.42</u>	<u>31,572.83</u>
<u>Contracted Service</u>				
Professional	7,174.00		21,775.00	
Call Someone Concerned	46,406.00			
Goodwill-IARC	53,483.00			
Koinos - Non-reimburseable	835.21			
Per diem	3,540.00			
Medications				
	<u>111,438.21</u>		<u>21,775.00</u>	
<u>Operations</u>				
Supplies - Office	1,285.56		205.69	30.59
Operating	524.12		540.13	1.36
Communications	3,372.23		2,452.58	266.58
Transportation	1,693.56		348.73	829.00
Printing and publishing	212.65		61.54	2.50
Insurance	423.12		457.64	40.38
Maintenance and repairs	95.90			
Custodial service	1,310.40		873.60	31.20
Rent - Building	20,817.84		12,481.56	480.48
Equipment	1,282.08		1,088.90	52.49
Subscriptions	156.23		295.64	3.00
Membership and dues	1,310.00			
Education and training	67.00		411.75	
	<u>32,550.69</u>		<u>19,217.76</u>	<u>1,737.58</u>
<u>Fixed Asset Acquisition</u>	<u>599.50</u>		<u>707.70</u>	<u>309.50</u>
<u>Uncollectible Accounts</u>	<u>1,464.29</u>			
Total (Exhibit II)	<u>\$200,264.64</u>	<u>\$8,480.95</u>	<u>\$167,420.88</u>	<u>\$33,619.91</u>

LOUZELLA SEEBURGER

*Certified Public Accountant*

FAULHABER BUILDING - 227 N. WINTER ST.

P. O. BOX 362 - ADRIAN, MICHIGAN 49221

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February 8, 1979

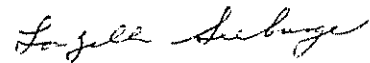
Board of Directors  
Community Mental Health Services  
of Lenawee County  
Adrian, Michigan

As a result of the examination of the financial records of the Community Mental Health Services of Lenawee County for the fiscal year ended September 30, 1978, we wish to make the following recommendations:

1. That the Board of Directors have completed the ledger control accounts on all fixed assets inventory of the Community Mental Health Services of Lenawee County, including office furniture and fixtures, and all operating equipment and fixtures so that the General Fixed Assets - Group of Accounts can be established in compliance with the "Uniform Accounting Procedures for Local Units of Government in Michigan."
2. That the account receivable accounts arising from service fees be reconciled at each calendar month end with the control account in the general ledger.
3. That a purchase journal be established to record invoices as received and distribute expenses to the applicable account for the period of actual usage.
4. That vouchers authorizing issuance of negotiable checks by the Lenawee County Treasurer be prenumbered and adequate control of all vouchers be provided for accountability of all forms.
5. That the functional cost study be further developed to determine greater accuracy of expenditure allocation to each program and to provide an adequate service fee structure based on realistic calculations.
6. That consideration be given to retention of records, re:
  1. Safe retention of irreplaceable historic records
  2. Availability of legal documents
  3. Consolidation of records to be retained
  4. Consistent filing procedures
  5. Elimination of outdated records (i.e. expired insurance policies)
  6. Elimination of many multiple copies

Although our comments in connection with our examination are numerous, we found no evidence to indicate that all matters were not handled in the best interest of the residents of Lenawee County and the clients of Community Mental Health Services of Lenawee County. We believe our comments will help the Board of Directors maintain better accounting records and better control of the financial activities, and will help reduce the chance of criticism. We received excellent cooperation on the part of all staff personnel.

If you have any questions pertaining to the examination of financial records and report, or the letter of recommendations, please contact us so that we may, at your convenience, discuss these items.

A handwritten signature in cursive script, appearing to read "Lowell DeBuge".

Certified Public Accountant

