

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

Adrian, Michigan

REPORT ON EXAMINATION

Fiscal Year Ended September 30, 1979

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEЕ COUNTY

REPORT ON EXAMINATION

Fiscal Year Ended September 30, 1979

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LOUZELLA SEEBURGER

Certified Public Accountant

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February 25, 1980

Community Mental Health Services
of Lenawee County
Adrian, Michigan

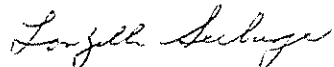
We have examined the statement of assets and liabilities of the Community Mental Health Services of Lenawee County as of September 30, 1979, and the related statement of fund change, for the fiscal year then ended, on a modified accrual basis of accounting, and thus do not include the investment in office 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, 1979, and the recorded transactions of revenue and expenditures for the fiscal year then ended on a modified accrual basis, consistent with that of the preceding year.



Certified Public Accountant

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

STATEMENT OF ASSETS AND LIABILITIES
September 30, 1978 and September 30, 1979

ASSETS	September 30, 1979			
	Substance Abuse	Mental Health	Hendeshot (Not 2)	Combined
<u>Cash Assets</u>				
Cash on hand		\$ 220.00		\$ 607.00
Cash on deposit				
Lenawee County Treasurer		202,173.79		102,785.84
First Federal Savings and Loan Association of Lenawee County			\$ 5,40.99	10,240.99
United Savings Bank of Tecumseh				
Certificate of deposit				
Maturity date August 1979 - 8.6%			100,00.00	100,000.00
Total Cash Assets		<u>202,393.79</u>	<u>105,40.99</u>	<u>213,633.83</u>
<u>Collectible Assets</u>				
State of Michigan - Reimbursement Collectible accounts (Schedule I)	\$5,000.00			
Accrued interest receivable		24,792.51		
Interfund receivable/payable	(2,540.63)	2,540.63	28.03	
Total Collectible Assets	<u>2,459.37</u>	<u>27,333.14</u>	<u>40.03</u>	41,842.63
<u>Investment Assets</u>				
Land (Note 3)			3,00.00	
Securities (Note 3)			10.00	
Total Investment Assets			<u>3,10.00</u>	3,610.00
<u>Other Assets</u>				
Deferred expense - Conference expense		193.25		
Professional contracts		1,281.00		
Prepaid insurance				
Prepaid rent		4,224.58		
Total Other Assets		<u>5,698.83</u>		11,890.63
<u>TOTAL ASSETS</u>	<u>\$2,459.37</u>	<u>\$235,425.76</u>	<u>\$109,91.02</u>	<u>\$270,977.09</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts payable	\$2,162.33	\$ 14,076.73		\$ 13,263.16
Fee collection to be reimbursed		308.00		1,350.00
Accrued payroll		7,326.38		10,683.92
State of Michigan				
Current year		34,219.00		
Prior years (Note 8)	297.04	21,163.00		21,163.00
Lenawee County		10,540.03		4,890.46
Total Liabilities	<u>2,459.37</u>	<u>87,633.14</u>		<u>51,350.54</u>
<u>Deferred Revenue - Lenawee County Allocations</u>				
Fourth quarter 1978		8,527.50		
Fourth quarter 1979				10,759.75
<u>Fund Equity (Exhibit II)</u>				
Fund balance - September 30, 1978		139,265.12	\$109,	
September 30, 1979			91.02	208,866.80
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$2,459.37</u>	<u>\$235,425.76</u>	<u>\$109,91.02</u>	<u>\$270,977.09</u>

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEЕ COUNTY

NOTES TO THE FINANCIAL STATEMENTS
September 30, 1979

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, 1979. The records were maintained in compliance with "fund" accounting and included the following funds:

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. Subsequent distributions included securities, real estate, and cash valued at \$24,565.56, (valued per the estate tax return of Glenn C. Hendershot, deceased.) 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.

3. The Hendershot Fund non-cash investments at September 30, 1978 and 1979 were as follows:

Land (Value per Estate of Glenn C. Hendershot)	
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>
Securities (Value per Estate of Glenn C. Hendershot)	
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.

4. The Community Mental Health Services of Lenawee County received \$1,209.00 from the State of Michigan Department of Public Health re the loss of local match fund due to the cancellation of Title XX monies.
5. Collectible assets as of September 30, 1979 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.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEЕ COUNTY

NOTES TO THE FINANCIAL STATEMENTS
September 30, 1979

6. Lenawee County Board of Commissions budgeted a calendar year 1979 allocation to Community Mental Health Services of Lenawee County of \$43,039. Due to the fact that Community Mental Health Services of Lenawee County is on a fiscal year ending September 30, 1979, one quarter of the allocation applies to the first quarter of the fiscal year ending September 30, 1980. \$8,527.50 applied to year ended September 30, 1979 from the 1978 allocation from Lenawee County Board of Commissions. After completing the fiscal year September 30, 1979 it was determined that \$4,052 of County allocation was unused and it is to be returned to the County.

1979 County	\$43,039.00	
One quarter applied to 1980	(10,759.75)	
One quarter from 1978	8,527.50	
Returned to County	(4,052.00)	
County Appropriation Used	<u>\$36,754.75</u>	

7. The State of Michigan Department of Mental Health reporting requirements differ from generally accepted accounting principles as applied on a modified accrual basis of accounting and thus differences occur between audit expenditures and state reported expenditures. The following is a reconciliation of the two figures.

Total Operating Expenditures (Exhibit II)	\$805,035	
Add: Employee receivable	\$ 66	
Prepaid insurance	3,914	
Accounts payable	<u>259</u>	4,239
Less: Uncollectible Accounts	13,383	
Miscellaneous revenue	119	
Call Someone Concerned/Hendershot Transfer	1,225	
Mental illness reported variance	<u>10</u>	(14,737)
Expenditures per State of Michigan Department of Mental Health Report		<u>\$794,537</u>

8. 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.
9. 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 \$180,000 and \$200,000 (approximately a 75 to 90 day cash requirement).
10. The Community Mental Health Services of Lenawee County may have a contingent liability to Bixby Hospital for services performed by the Hospital in the Substance Abuse Program. The Substance Abuse Program was discontinued from the Community Mental Health Services of Lenawee County program in 1976.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
September 30, 1979

11. 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.
12. The Community Mental Health Services of Lenawee County returned to Lenawee County \$44,761 unused monies previously allocated to the Community Mental Health Services of Lenawee County applicable to the fiscal years ended September 30, 1973 thru September 30, 1977.
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.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

STATEMENT OF MENTAL HEALTH COLLECTIBLE ASSETS
September 30, 1978 and September 30, 1979

	<u>9/30/78</u>	<u>9/30/79</u>
<u>Collectible Assets</u>		
<u>Fee reimbursements</u>		
Medicaid	\$ 6,598.80	\$ 2,962.50
Insurance	9,757.15	16,071.16
Self pay	- 11,605.75	→ 3,466.25
Other claims	<u>1,535.00</u>	<u>1,160.25</u>
	29,496.70	23,660.16
Less allowance for uncollectibility (Note 5)	(<u>5,899.34</u>)	(<u>4,732.03</u>)
Total Anticipated Fee Collections	<u>23,597.36</u>	<u>18,928.13</u>
<u>Other receivables</u>		
Department of Human Services - Rent	98.28	188.99
Lenawee County Sheriff - Gas	959.24	
Employees	137.63	66.20
Tecumseh United Fund		625.00
Maurice Spear Campus/Goodwill-LARC		<u>3,115.28</u>
Total Collectible Assets (Exhibit I)	<u>\$24,792.51</u>	<u>\$22,923.60</u>

why so little?

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

STATEMENT OF CHANGE IN FUND BALANCE
For the Fiscal Year Ended September 30, 1979

	Mental Health	Hendershot Fund	Combined
<u>Fund Balance</u> - October 1, 1978 (Exhibit I)	<u>\$139,265.12</u>	<u>\$109,509.28</u>	<u>\$248,774.40</u>
<u>Prior Year Adjustments</u>			
Refund of prior years excess contributions-County	(44,761.00)		(44,761.00)
Substance Abuse liability overstated	<u>2,162.33</u>		<u>2,162.33</u>
<u>Adjusted Fund Balance</u> - October 1, 1978	<u>96,666.45</u>	<u>109,509.28</u>	<u>206,175.73</u>
<u>Net Revenue in Excess of Expenditures</u>			
<u>Revenue</u>			
State of Michigan			
Department of Mental Health	670,791.00		
State contribution for loss of local matching funds from Title XX (Note 4)	1,209.00		
Lenawee County appropriations (Note 6)	36,754.75		
Charges for services			
Intermediate School District	6,000.00		
Maurice Spear Campus	16,374.00		
Outpatient	51,867.10		
Outpatient - Medicaid	11,105.00		
Day Treatment	1,949.50		
Contributions - Tecumseh United Fund	2,500.00		
Miscellaneous	119.28		
Cash over (short)	(6.00)		
Investment interest and dividends		9,073.12	
	<u>798,663.63</u>	<u>9,073.12</u>	
Interfund contribution	2,181.00	(2,181.00)	
Total Revenue	<u>800,844.63</u>	<u>6,892.12</u>	<u>807,736.75</u>
<u>Expenditures</u> (Schedule II)			
Salaries including fringe benefits	474,445.23		
Contracted services	197,440.20		
Operations	113,216.97		
Real estate tax		10.38	
Fixed asset acquisition	6,549.84		
Uncollectible accounts	13,383.06		
Total Expenditures	<u>805,035.30</u>	<u>10.38</u>	<u>805,045.68</u>
Net Addition (Decrease) to Fund Balance	(4,190.67)	6,881.74	2,691.07
<u>Fund Balance</u> - September 30, 1979 (Exhibit I)	<u>\$ 92,475.78</u>	<u>\$116,391.02</u>	<u>\$208,866.80</u>

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

STATEMENT OF MENTAL HEALTH EXPENDITURES
For the Fiscal Year Ended September 30, 1979

	Program Management		Mental Illness				Mental Retardation		Prevention	Total
	Admin- istration	Client Services	Outpatient	Residential	Partial Hospitalization		Outpatient	Partial Hospital- ization		
					Adult	Children				
<u>Salaries</u>										
State of Michigan reimburseable	\$122,428.93	\$67,599.76	\$114,532.96	\$ 9,539.36	\$49,923.52	\$29,649.33	\$4,281.53	\$ 9,037.96	\$406,993.35	
Non-reimburseable	1,354.86		13,281.30						14,636.16	
Fringe benefits	15,846.33	8,655.51	14,080.71	1,231.10	7,069.27	4,482.97	348.51	1,101.32	52,815.72	
	<u>139,630.12</u>	<u>76,255.27</u>	<u>141,894.97</u>	<u>10,770.46</u>	<u>56,992.79</u>	<u>34,132.30</u>	<u>4,630.04</u>	<u>10,139.28</u>	<u>474,445.23</u>	
<u>Contracted Service</u>										
Professional	4,500.00	420.00	30,485.64	799.95	2,898.13		545.48		39,649.20	
Call Someone Concerned			50,879.00						50,879.00	
Goodwill-LARC								\$97,000.00	97,000.00	
Hope Recreation Center					5,500.00				5,500.00	
Per diem	4,412.00								4,412.00	
	<u>8,912.00</u>	<u>420.00</u>	<u>81,364.64</u>	<u>799.95</u>	<u>8,398.13</u>		<u>545.48</u>	<u>97,000.00</u>	<u>197,440.20</u>	
<u>Operations</u>										
Supplies - Office	2,085.85	478.46	303.85	42.19	318.61	207.81	75.58		3,512.35	
Operating	401.00	896.80	593.86	543.87	2,126.33	2,224.17	17.76		6,803.79	
Communications	4,001.52	1,399.56	2,689.89	114.91	1,452.45	236.19	341.00		10,235.52	
Client transportation		763.10			861.25	942.50			2,566.85	
Transportation	2,704.00	2,073.55	830.52	168.25	175.83	710.36	316.17		6,978.68	
Printing and publishing	222.57	215.17	1,506.32	2,382.59	653.21	265.49	2.74		5,248.09	
Insurance	1,542.79	1,377.78	2,279.44	982.54	1,124.41	580.79	56.70		7,944.45	
Maintenance and repairs	154.14		6.00						160.14	
Custodial service	1,254.00	132.00	924.00		957.00		33.00		3,300.00	
Rent - Building	18,655.68	2,227.68	13,639.08	6,193.41	14,447.16	2,916.70	546.00		58,625.71	
Equipment	1,538.10	369.76	1,423.87	37.86	156.31	137.32	.56		3,663.78	
Subscriptions	403.23	22.00	101.45		52.37	87.10	219.25		885.40	
Membership and dues	885.00								885.00	
Education and training	288.86	440.97	860.00	360.00	376.47	75.91	5.00		2,407.21	
	<u>34,136.74</u>	<u>10,396.83</u>	<u>25,158.28</u>	<u>10,825.62</u>	<u>22,701.40</u>	<u>8,384.34</u>	<u>1,613.76</u>		<u>113,216.97</u>	
<u>Fixed Asset Acquisition</u>	<u>178.16</u>	<u>561.42</u>	<u>1,768.46</u>	<u>3,397.53</u>	<u>119.88</u>	<u>524.39</u>			<u>6,549.84</u>	
<u>Uncollectible Accounts</u>	<u>13,383.06</u>								<u>13,383.06</u>	
Total (Exhibit II)	<u>\$196,240.08</u>	<u>\$87,633.52</u>	<u>\$250,186.35</u>	<u>\$25,793.56</u>	<u>\$88,212.20</u>	<u>\$43,041.03</u>	<u>\$6,789.28</u>	<u>\$97,000.00</u>	<u>\$10,139.28</u>	<u>\$805,035.30</u>

LOUZELLA SEEBURGER

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February 25, 1980

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, 1979, we wish to make the following recommendations:

*Adrian
County*

1. That the Board of Directors implement the General Fixed Asset - Group of Accounts control ledger for accountability of the fixed assets of the Community Mental Health Services of Lenawee County, including office furniture and fixtures, and all operating equipment and fixtures. In compliance with the "Uniform Accounting Procedures for Local Units of Government in Michigan."
2. That the financial records (ledger, journals, etc) of Community Mental Health Services of Lenawee County be established and maintained re State of Michigan Mental Health Department reporting requirements to eliminate conversion, reconciliation, and computation when preparing reports.
3. 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.
4. That the functional cost study be further developed to determine greater accuracy of expenditures allocated to each program and to provide an adequate service fee structure based on realistic data.
5. 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.

Louzella Seeburger

Certified Public Accountant

