



Mary Taylor, CPA  
Auditor of State



HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY

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Mary Taylor, CPA  
Auditor of State

Hamilton County Family and Children First Council  
Hamilton County  
125 East Court Street, Suite 350  
Cincinnati, Ohio 45202

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 26, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Hamilton County Family and Children First Council  
Hamilton County  
125 East Court Street, Suite 350  
Cincinnati, Ohio 45202

To the Members of Council:

We have audited the accompanying financial statements of the Hamilton County Family and Children First Council, Hamilton County, Ohio (the Council), as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Councils to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2009, or its changes in financial position for the year then ended.

There were unsupported variances between the beginning and ending fund cash balances reported in the financial statements and the fund cash balances in the Hamilton County Auditor's accounting records. The Hamilton County Auditor is the Council's statutory fiscal agent. The variances are as follows:

<u>Date</u>	<u>Fund Cash Balance Reported in 2009 Annual Financial Report</u>	<u>Fund Cash Balance Reported in the County Auditor Accounting Records</u>	<u>Variance</u>
<b>General Fund:</b>			
January 1, 2009	(\$42,799)	\$602,139	(\$644,938)
December 31, 2009	147,589	794,766	(647,177)
<b>Special Revenue Fund:</b>			
January 1, 2009	1,484,456	1,480,017	4,439
December 31, 2009	2,088,476	2,081,890	6,586

In our opinion, except for the effects of adjustments, if any, as might have been necessary had we been able to examine evidence regarding January 1 and December 31, 2009 cash balances described in the preceding paragraph, the financial statements referred to in the first paragraph above, present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Hamilton County Family and Children First Council, Hamilton County, as of December 31, 2009, and its combined receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2010, on our consideration of the Council'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our engagement.

We conducted our engagement to opine on the financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditure schedule to the procedures applied to the financial statements. The Council's accounting system did not segregate Federal receipts or disbursements. The Council tracked Federal program disbursements on separate spreadsheets which could not be reconciled to the accounting system. Because of our inability to determine the amounts of Federal receipts or disbursements, and because of the effects of the matters discussed in paragraph five, we are unable to express an opinion on the Schedule.



**Mary Taylor, CPA**  
 Auditor of State

July 26, 2010



**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$0	\$7,752,157	\$7,752,157
Children First Plan	1,130,442	0	1,130,442
Membership Dues	70,250	0	70,250
Training & Seminars	8,905	0	8,905
	<u>1,209,597</u>	<u>7,752,157</u>	<u>8,961,754</u>
<b>Total Cash Receipts</b>			
	<u>1,209,597</u>	<u>7,752,157</u>	<u>8,961,754</u>
<b>Cash Disbursements:</b>			
Contractual Payments	416,177	6,739,175	7,155,352
Salaries & Fringe Benefits	523,918	364,353	888,271
Rent	25,714	13,927	39,641
Audit Expenses	13,628	6,500	20,128
Office Supplies	942	3,176	4,118
Equipment	5,785	0	5,785
Travel & Mileage	1,465	1,420	2,885
Postage	784	575	1,359
Maintenance	1,578	18	1,596
Miscellaneous	26,129	11,775	37,904
Printing, Publishing & Advertising	3,090	7,218	10,308
	<u>1,019,210</u>	<u>7,148,137</u>	<u>8,167,347</u>
<b>Total Cash Disbursements</b>			
	<u>1,019,210</u>	<u>7,148,137</u>	<u>8,167,347</u>
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>190,387</u>	<u>604,020</u>	<u>794,407</u>
<b>Fund Cash Balances, January 1</b>	<u>(42,799)</u>	<u>1,484,456</u>	<u>1,441,657</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$147,588</b></u>	<u><b>\$2,088,476</b></u>	<u><b>\$2,236,064</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$52,967</b></u>	<u><b>\$2,030,473</b></u>	<u><b>\$2,083,440</b></u>

*The notes to the financial statements are an integral part of this statement.*

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**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Section 121.37, Revised Code, created the Ohio Family and Children First Cabinet Council and required counties to establish county family and children first councils. The Hamilton County Family and Children First Council (the Council) was established on December 15, 1993. Statutory membership of a county council consists of the following individuals:

- a. The director of the board of alcohol, drug addiction, and mental health services that serves the county, or, in the case of a county that has a board of alcohol and drug addiction services and a community mental health board, the directors of both boards;
- b. The health commissioner of the board of health of each city or general health district in the county, or their designees;
- c. The director of the county department of job and family services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to section 5153.15 of the Revised Code (the public children's services agency);
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. A representative of a local nonprofit agency that funds, advocates, or provides services to children and families;
- g. The superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the county, as determined by the department of education, which shall notify each county of its determination at least biennially;
- h. A school superintendent representing all other school districts with territory in the county, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the municipal corporation with the largest city in the county;
- j. The president of the board of county commissioners, or an individual designated by the board;
- k. A representative of the regional office of the department of youth services;
- l. A representative of the county's head start agencies, as defined in section 3301.32 of the Revised Code;
- m. A representative of the county's early intervention collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004";
- n. At least three individuals who are not employed by an agency represented on the council and whose families are or have received services from an agency represented on the council or another county's council. Where possible, the number of members representing families shall be equal to twenty per cent of the council's remaining membership.

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A county family and children first council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the council.

Among others, a county council's statutory responsibilities include the following:

- a. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- b. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the department of health for early intervention services under the "Education of the Handicapped Act Amendments of 1986";
- c. Maintain an accountability system to monitor the council's progress in achieving its purposes;
- d. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

**Council Membership**

The County's Council membership includes representation from the Hamilton County Board of County Commissioners, the Hamilton County Board of Mental Retardation and Developmental Disabilities, the Hamilton County Juvenile Court, the City of Cincinnati, the Cincinnati Public Schools, and the Hamilton County Department of Job and Family Services. The purpose of the Council is to identify ways in which systems serving children can provide services to the community in the most efficient and effective manner.

**Administrative Agent**

Section 121.37(B)(4)(a), Revised Code, states that each county council shall designate an administrative agent. As permitted by Section 121.37(B)(4)(b)(i), where the board of county commissioners has been designated as the administrative agent, the board may by resolution delegate any of its powers and duties as administrative agent to an executive committee that the board establishes from the membership of the county council. The Council has designated the Hamilton County Board of County Commissioners as administrative agent, which has subsequently delegated its duties to an Executive Committee.

**Executive Committee**

The Executive Committee is the governing and policy-making body. The Council is responsible for establishing broad goals, objectives, and policy statements. This committee is responsible for the creation of all standing committees and task groups of the Council. The Executive Committee has appointed an Executive Director to assist in administering the powers and duties of the Council.

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Fund Accounting**

The Council uses fund accounting to segregate cash that is restricted as to use. The Council classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. All expenditures are made in accordance with an annual budget approved by the administrative body of the Council.

**2. Special Revenue Funds**

These funds were used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. During the year ended December 31, 2009, the Council's primary source of funding was from federal sources to fund its "Help Me Grow" and "Child & Family Health Services" programs.

**D. Fiscal Agent**

The Hamilton County Auditor serves as the fiscal agent and maintains the Council's funds in a separate agency fund.

**E. Budgetary Process**

Section 121.37(B)(4)(a), Revised Code, states the Council shall file an annual budget with its administrative agent. A copy of the annual budget must also be filed with the County Auditor.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**2. EQUITY IN POOLED CASH**

The Council's cash pool is maintained by the Hamilton County Auditor, which serves as the fiscal agent. The Ohio Revised Code prescribes allowable deposits and investments, and the Hamilton County Treasurer is responsible for meeting compliance with those provisions. The Council's cash on deposit with the Hamilton County Treasurer at December 31, 2009 was reported by the County Auditor at \$794,766 for the General Fund and \$2,081,890 for the Special Revenue Funds; cash reported on the Council's accompanying financial statements is reported at \$147,588 for the General Fund and \$2,088,476 for the Special Revenue Funds.

The Hamilton County Treasurer is responsible for maintaining adequate depository collateral for all funds in the Council's pooled cash and depository accounts.

**3. RISK MANAGEMENT**

Personal property of the Council is covered under an insurance policy maintained by Hamilton County. The Council has no liability or employee dishonesty insurance.

**4. RETIREMENT SYSTEMS**

The Council's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009, OPERS members contributed 10% of their gross salaries, and the Council contributed an amount equaling 14% of participants' gross salaries. The Council has paid all contributions required through December 31, 2009.

**5. NONCOMPLIANCE**

Contrary to Ohio Administrative Code Section 117-2-02(A) and 45 C.F.R. Section 92.20(a) and 92.20(b)(2), the Council did not properly maintain its accounting system in a manner that enabled it to demonstrate compliance with finance-related and contractual requirements and to adequately identify the application of funds for financially-assisted activities.

**HAMILTON COUNTY FAMILY & CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Job &amp; Family Services:</i>			
Temporary Assistance for Needy Families	N/A	93.558	\$ 2,908,882
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b><u>2,908,882</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through Ohio Department of Health</i>			
Maternal & Child Health Services Block Grant to the States	N/A	93.994	624,106
Special Education Grants for Infants and Families with Disabilities	N/A	84.181	659,212
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>1,283,318</u></b>
<b>TOTAL</b>			<b><u>\$ 4,192,200</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Hamilton County Family and Children First Council, Ohio (the Council), federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The Council passes certain federal awards received from the Ohio Department of Health and the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A above, the Council reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hamilton County Family and Children First Council  
Hamilton County  
125 East Court Street, Suite 350  
Cincinnati, Ohio 45202

To the Members of Council:

We have audited the financial statements of the Hamilton County Family and Children First Council, Hamilton County, Ohio (the Council), as of and for the year ended December 31, 2009, and have issued our report thereon dated July 26, 2010, wherein we noted that the Council prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted we were unable to obtain sufficient evidence to reasonably assure the accuracy of the beginning and ending fund balances.

### **Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. 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 Council's financial statement will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

We also noted certain internal control matters that we reported to the Council's management in a separate letter dated July 26, 2010.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated July 26, 2010.

The Council's responses to the findings identified in our engagement are described in the accompanying schedule of findings and questioned costs. We did not audit the Council's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Council, the federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 26, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hamilton County Family and Children First Council  
Hamilton County  
125 East Court Street; Suite 350  
Cincinnati, Ohio 45202

To the Members of Council:

#### Compliance

We have audited the compliance of the Hamilton County Family and Children First Council, Hamilton County, Ohio (the Council), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Council's major federal programs. The Council's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

As described in finding 2009-003 in the accompanying schedule of findings and questioned costs, the Council did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles, and reporting applying to its CFDA 93.558 Temporary Assistance to Needy Families, CFDA 84.181 Special Education Grants for Infants and Families with Disabilities, and CFDA 93.994 Maternal and Child Health Services Block Grant to the States. Compliance with these requirements is necessary, in our opinion, for the Council to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Hamilton County Family and Children First Council complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

In a separate letter to the Council's management dated July 26, 2010, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

The Council's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-003 to be a material weakness.

We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Council's management in a separate letter dated July 26, 2010.

The Council's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the Council's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Council, the federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 26, 2010

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse on GAAP, qualified on statutory basis
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Temporary Assistance to Needy Families (CFDA 93.558); Special Education Grants for Infants and Families with Disabilities (CFDA 84.181); and Maternal and Child Health Services Block Grant to the States (CFDA 93.994)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2009-001**

**Noncompliance/Material Weakness**

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

As stated in Part C of Article VIII of the by-laws dated March 12, 2009, of the Hamilton County Family and Children First Council, the Hamilton County Auditor (the Auditor) shall act as "fiscal agent" for the Council. The Council maintains internal computerized accounting records separate from the records of the fiscal agent. These records were used as the basis for preparation of the 2009 annual financial report subject to our audit. The accounting records of the Council are maintained by the Hamilton County Auditor who serves as the Council's fiscal agent.

We compared receipt amounts reported in the 2009 annual financial report to the amounts reported in the records of the County Auditor and noted the following differences:

<u>Account</u>	<u>Amount Reported in 2009 Annual Financial Report</u>	<u>Amount Reported by the County Auditor for 2009</u>	<u>Difference</u>
<b>General Fund:</b>			
Membership Dues	\$70,250	\$64,750	\$5,500
Training & Seminars	8,905	8,755	150
<b>Special Revenue Fund:</b>			
Intergovernmental	7,752,157	7,748,240	3,917

The Council was unable to identify the reasons for the differences in receipts noted above. While these differences are unresolved, they are not material to the financial statements.

We also compared expenditure amounts reported in the 2009 annual financial report to the amounts reported in the records of the County Auditor and noted the following differences:

<u>Account</u>	<u>Amount Reported in 2009 Annual Financial Report</u>	<u>Amount Reported by the County Auditor for 2009</u>	<u>Difference</u>
<b>General Fund:</b>			
Salaries & Fringe Benefits	\$523,918	\$526,469	(\$2,551)
Office Supplies	942	1,406	(464)
Equipment Lease & Equipment	5,785	5,496	289
Postage	784	839	(55)
Travel & Mileage	1,465	1,437	28
Printing, Publishing & Advertising	3,090	3,525	(435)
Rent	25,714	25,835	(121)
Contractual Payments	416,177	404,978	11,199
<b>Total Expenditures</b>	<b>\$1,004,004</b>	<b>\$996,114</b>	<b>\$7,890</b>

**FINDING NUMBER 2009-001  
 (Continued)**

<u>Account</u>	<u>Amount Reported in 2009 Annual Financial Report</u>	<u>Amount Reported by the County Auditor for 2009</u>	<u>Difference</u>
<b>Special Revenue Fund:</b>			
Salaries & Fringe Benefits	364,353	366,398	(\$2,045)
Office Supplies	3,176	2,536	640
Postage	575	520	55
Travel & Mileage	1,420	1,245	175
Printing, Publishing, & Advertising	7,218	6,648	570
Rent	13,927	11,552	2,375
<b>Total Expenditures</b>	<b>\$7,129,844</b>	<b>\$7,128,047</b>	<b>(\$1,770)</b>

The Council was unable to identify the reasons for the differences in expenditures noted above. While these differences are unresolved, they are not material to the financial statements.

We also compared the beginning and ending cash balance reported in the 2009 annual financial report to the cash amounts reported in the records of the County Auditor and noted the following differences:

<u>Date</u>	<u>Cash Balance Reported in 2009 Annual Financial Report</u>	<u>Cash Balance Reported by County Auditor</u>	<u>Difference</u>
<b>General Fund:</b>			
January 1, 2009	(\$42,799)	\$602,139	(\$644,938)
December 31, 2009	\$147,589	\$794,766	(\$647,177)
<b>Special Revenue Fund:</b>			
January 1, 2009	\$1,484,456	\$1,480,017	\$4,439
December 31, 2009	\$2,088,476	\$2,081,890	\$6,586

We also reviewed the unaudited financial statements of the Council for 2008, 2007, 2006, 2005, and 2004, and noted that the ending fund balances did not carry over to the beginning fund balances of the following year.

To ensure accuracy in the external financial reporting process and to assist the Council with internal monitoring, we recommend procedures be established to ensure the timely reconciliation of the internal accounting records to the records of the County Auditor. Any differences noted in the reconciliation process should be promptly communicated to the County Auditor for adjustment to the accounts of the Council. We also recommend that the Council compare cash balances reported by the County Auditor to the cash balances reported in the annual financial report and fully investigate and resolve any differences. The Council should work with the County Auditor's office to make the necessary adjustments to the County financial records for the differences in receipts identified above. In addition the Council and the County Auditor's office should work together through the variances for disbursements and fund balances, identify and make the necessary adjustments.

**FINDING NUMBER 2009-001  
(Continued)**

**Officials' Response:**

FCFC Council was able to identify the differences in the FCFC Statements to the County records. The differences were due to timing and adjusting entries for Grants. Beginning with CY 2010, FCFC does not maintain financial records other than the County Auditor's records. This should eliminate any differences in the future. Beginning with SFY 2010 FCFC established new grant numbers for all funding streams so there would not be commingling of funds. This was effective with those grants beginning July 1, 2009.

The Council is continuing to work with the County Auditor's office to determine the reason for the difference in the Cash Balance in the non-grant fund. Since this covers multiple years, it will take time to isolate the point where the difference occurred. Once we have determined where this difference occurred, we will make adjusting entries to correct the balances if that is appropriate.

The fund balances for the financial statements for 2008 and 2009 did flow from the prior year. The ending balance for the non-grant fund for 2008 was (\$42,799) and the grant fund ending balance for 2008 was \$1,484,456. Those are the beginning balances for the 2009 financial statement.

**FINDING NUMBER 2009-002**

**Noncompliance/Material Weakness**

Finding Number 2009-003 describes deficiencies in preparing the Council's schedule of expenditures of federal awards. We believe this finding also represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Officials' Response:**

Beginning with CY 2010, the Council runs reports from the County Auditor's office showing monthly revenues and expenditures. Those records are compared to the pay-ins and invoices submitted for processing by the FCFC office. FCFC also runs a Year-to-Date report showing activity and expenditures. These are the numbers FCFC uses for reports presented to the FCFC Board.



**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**FINDING NUMBER 2009-003**

**Noncompliance/Material Weakness/Questioned Costs**

<b>Finding Number</b>	2009-003
<b>CFDA Title and Number</b>	CFDA 93.558 Temporary Assistance to Needy Families CFDA 84.181 Special Education Grants for Infants and Families with Disabilities (TANF Part C) CFDA 93.994 Maternal & Child Health Services Block Grant to the States
<b>Federal Award Number / Year</b>	2009/2010
<b>Federal Agency</b>	Department of Health & Human Services Department of Education
<b>Pass-Through Agency</b>	CFDA 93.558: Ohio Department of Job and Family Services CFDA 84.181 & 93.994: Ohio Department of Health

**Grant Accounting / Activities Allowed or Unallowed / Allowable Costs/Cost Principles / Reporting**

45 C.F.R. Section 92.20(a) states that a State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State and of its subgrantees must be sufficient to permit the preparation of reports required by this part and the statutes authorizing the grant and also permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

45 C.F.R. Section 92.20(b)(2) further states that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Further, OMB Circular A-133, Subpart C, Section .300 states that the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal Agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with OMB Circular A-133, Section .310.

As stated in Article VIII, Section C of the Hamilton County Family and Children First Council (HCFCFC) bylaws, the Hamilton County Auditor serves as "Fiscal Agent" for the Council and therefore maintains the official accounting records which identify and track receipts and expenditures. HCFCFC also maintains a separate set of internal accounting records using a computerized software program. However, neither the official records of the County Auditor nor the internal accounting records are maintained in a manner such that grants are properly accounted for in accordance with the above mentioned requirements.

**FINDING NUMBER 2009-003  
 (Continued)**

To track federal expenditures, the Fiscal Officer maintains spreadsheets separate from the accounting records, but these spreadsheets are not reconciled to the internal accounting records or to the records of the County Auditor and, as stated in Finding #2009-001 above, therefore, we were unable to gain assurance as to what amounts should have been reported for expenditures on the Schedule of Federal Awards Expenditures and required grant reporting. This resulted in us modifying our opinion on the Schedule of Federal Awards Expenditures program compliance, and we are therefore questioning these cost.

<b>Program</b>	<b>CFDA #</b>	<b>Expenditures</b>
Temporary Assistance for Needy Families	<b>93.558</b>	\$2,908,882
Maternal & Child Health Services Block Grant to the States	<b>93.994</b>	624,106
Special Education Grants for Infants & Families with Disabilities	<b>84.181</b>	659,212
<b>Total Federal Expenditures</b>		<b>\$4,192,200</b>

Failure to use grant accounting procedures results in a co-mingling of federal and state grant funds, an inability to track receipts and expenditures by their specific source, increases the risk of noncompliance with federal grant requirements, and increases the risk of errors in the process of preparing required federal financial reports and the Schedule of Federal Awards Expenditures.

We recommend that the Council work with the Hamilton County Auditor's Office to establish procedures which would ensure that grant accounting procedures are utilized.

**Officials' Response:**

The records of the County Auditor's office will be the official records of the Council and the Fiscal Officer will review the records each month to verify that all payments and receipts are coded to the correct funds and grants. Journal entries will be made on a quarterly basis for other expenditures and adjustments that need to be made. This procedure will be effective with CY 2010. The Council also implemented new procedures to insure that we meet the requirements of federal regulations for grant accounting. This procedure is effective with the SFY 2010 grants.

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Noncompliance and material weakness in accounting system.	No	Partially corrected. Reissued as Finding #2009-001.
2008-002	Noncompliance and material weakness in preparation of schedule of federal awards expenditures relating to financial reporting.	No	Reissued as Finding #2009-002.
2008-003	Noncompliance and material weakness and questioned costs related to grant accounting, activities allowed or unallowed, allowable costs/cost principles, and reporting.	No	Reissued as Finding #2009-003.





**Mary Taylor, CPA**  
Auditor of State

**HAMILTON COUNTY FAMILY AND CHILDREN FIRST COUNCIL**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 17, 2010**