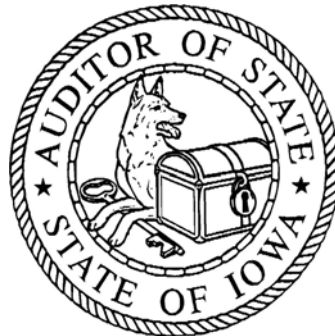


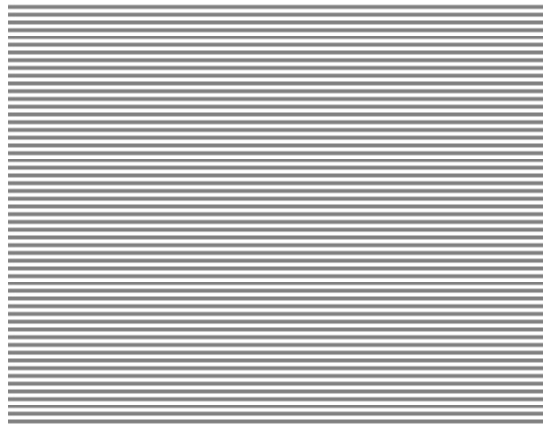
SAMPLE MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 230A.16(3) of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is prepared based on a non-profit corporation providing mental health services on the basis of an agreement with the County Board of Supervisors as provided for in Chapter 230A.3(2) of the Code of Iowa. Some counties may provide mental health services through the establishment of an elected Board of Trustees pursuant to Chapter 230A.3(1) of the Code of Iowa. This organizational structure may necessitate the consideration of the Governmental Accounting Standards Board's guidance on "The Financial Reporting Entity" and, therefore, other reporting criteria may be applicable.

Audits of community mental health centers should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Chapter 11.6 of the Code of Iowa requires a review of internal control and testing of transactions for compliance.

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 entity 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.

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 \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Center's cognizant or oversight agency.

In accordance with OMB Circular A-133, 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 <http://harvester.census.gov/sac/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive

automated emails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

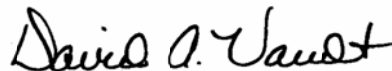
We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

In accordance with Chapter 230A.16(3) of the Code of Iowa, a copy of the report should also be filed with the administrator of the Iowa Department of Human Services, Mental Health Disabilities Services Division, Hoover Building, 5th Floor, 1305 East Walnut, Des Moines, Iowa 50319 and with each County Board of Supervisors supporting the mental health center.

As required by Chapter 11 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 may be completed by the Center and a copy should be sent to this office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

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.



DAVID A. VAUDT, CPA
Auditor of State

Office of Auditor of State
Report Filing Requirements

Paper Copy Submission

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this office upon release to the Mental Health Institution within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, 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 be sent to:

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

Electronic Submission

The Center or CPA firm must also email a PDF copy of the audit report to the Auditor of State's Office at:

SubmitReports@auditor.state.ia.us

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

Sample Mental Health Center

Outline of Major Changes

- A. No significant changes.

Additional Notes

1. For Mental Health Centers with an early retirement or other benefit plan or policy that meets the definition of a “termination benefit”, as defined by GASB Statement No. 47, see the “Additional Notes” section of the Sample Community School District sample report for an example footnote disclosure.
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 GASB Statement No. 45 or FASB Statements No. 106 and 158, as applicable. Other sample reports issued by the Office of Auditor of State include other postemployment benefit liabilities reported in accordance with GASB Statement No. 45 and these reports can 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 FASB Statement No. 142. Other sample reports issued by the Office of Auditor of State include other intangible assets reported in accordance with GASB Statement No. 51 and these reports can be used for guidance.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____

Contact:

Auditor of State David A. Vaudt today released an audit report on Sample Mental Health Center, Anywhere, Iowa.

The Center had public support and revenues of \$_____ for the year ended June 30, 2011, which was a(n) _____ % increase (decrease) from the prior year. Public support included \$_____ from _____ County and revenues included \$_____ of patient services and Title XIX.

Expenses for the Center's operations totaled \$_____, a(n)___ % increase (decrease) from the prior year. Expenses included \$_____ for community services, \$_____ for mental health center programs and \$_____ for support services.

The significant increase (decrease) in revenues and expenses is due primarily to _____.

A copy of the audit report is available for review in the Sample Mental Health Center's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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SAMPLE MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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Sample Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Mary Smith	President	Jan 2015
Bill Jones	Vice-President	Jan 2013
Joe Miller	Secretary	Jan 2017
Nancy Moore	Treasurer	Jan 2015
Bob Martin	Member	Jan 2013
Jane Brown	Member	Jan 2015
Sue Long	Member	Jan 2017
George Hays	Executive Director	Indefinite

Sample Mental Health Center



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report

To the Board of Directors of
Sample Mental Health Center:

We have audited the accompanying statement of financial position of Sample Mental Health Center as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Mental Health Center at June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2011 on our consideration of Sample Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

September 22, 2011

Sample Mental Health Center

Financial Statements

Sample Mental Health Center
Statement of Financial Position
June 30, 2011

	<u>General Fund</u> <u>Unrestricted</u>
Assets	
Cash and cash equivalents	\$ 64,000
Accounts receivable for patient services, less allowance for doubtful accounts (\$4,300)	50,319
Prepaid expenses	4,090
Property and equipment at cost, less accumulated depreciation of \$133,775 (note 2)	-
Total assets	<u>\$ 118,409</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 5,016
Compensated absences	4,300
Total liabilities	<u>9,316</u>
Net assets - unrestricted	<u>109,093</u>
Total liabilities and net assets	<u>\$ 118,409</u>

See notes to financial statements.

Land, Building and Equipment Fund	Total
-	64,000
-	50,319
-	4,090
279,640	279,640
279,640	398,049
-	5,016
-	4,300
-	9,316
279,640	388,733
279,640	398,049

Sample Mental Health Center

Statement of Activities

Year ended June 30, 2011

	<u>General Fund</u> <u>Unrestricted</u>
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	852
Total public support	<u>532,792</u>
Revenues:	
Patient services and Title XIX	141,249
Total public support and revenues	<u>674,041</u>
Expenses:	
Program services:	
Community services programs	104,906
Mental health center programs	444,076
Total program services	<u>548,982</u>
Support services	165,273
Total expenses	<u>714,255</u>
Change in net assets from operations	<u>(40,214)</u>
Other changes in net assets:	
Investment income	7,837
Property and equipment acquisitions	(33,580)
Other changes in net assets, net	<u>(25,743)</u>
Change in net assets	(65,957)
Net assets beginning of year	<u>175,050</u>
Net assets end of year	<u>\$ 109,093</u>

See notes to financial statements.

Land, Building and Equipment Fund	Total
-	413,599
-	31,503
-	60,338
-	500
-	26,000
-	852
-	532,792
-	141,249
-	674,041
-	104,906
18,183	462,259
18,183	567,165
4,546	169,819
22,729	736,984
(22,729)	(62,943)
-	7,837
33,580	-
33,580	7,837
10,851	(55,106)
268,789	443,839
279,640	388,733

Sample Mental Health Center
Statement of Functional Expenses
Year ended June 30, 2011

	Program Services		
	Community Services Programs		Mental Health Center Programs
	Sample County	Local County	
Salaries	\$ 67,340	17,444	238,803
Payroll tax	4,507	1,168	15,978
Employee group insurance	2,440	632	8,649
Retirement plan contribution	906	235	3,210
	<u>75,193</u>	<u>19,479</u>	<u>266,640</u>
Consultation	-	-	108,346
Rent	-	-	780
Dues and subscriptions	-	-	1,720
Repair and maintenance	-	-	14,850
Insurance	-	-	7,735
Postage	-	69	1,731
Professional fees	-	-	-
Professional supplies	-	-	748
Travel	636	2,802	1,865
Conferences	956	416	4,161
Utilities and telephone	-	705	11,692
Advertising	-	-	1,161
Office supplies	-	4,436	-
Emergency services	-	-	10,003
Provision for doubtful accounts	-	-	12,100
Miscellaneous	-	214	544
	<u>1,592</u>	<u>8,642</u>	<u>177,436</u>
Total expenses before depreciation	76,785	28,121	444,076
Depreciation	-	-	18,183
Total expenses	<u>\$ 76,785</u>	<u>28,121</u>	<u>462,259</u>

See notes to financial statements.

Total	Support Services, Management and General	Total
323,587	118,302	441,889
21,653	7,919	29,572
11,721	4,287	16,008
4,351	1,591	5,942
361,312	132,099	493,411
108,346	-	108,346
780	-	780
1,720	430	2,150
14,850	3,712	18,562
7,735	860	8,595
1,800	433	2,233
-	7,684	7,684
748	-	748
5,303	1,980	7,283
5,533	1,817	7,350
12,397	2,923	15,320
1,161	-	1,161
4,436	12,791	17,227
10,003	-	10,003
12,100	-	12,100
758	544	1,302
187,670	33,174	220,844
548,982	165,273	714,255
18,183	4,546	22,729
567,165	169,819	736,984

Exhibit D

Sample Mental Health Center

Statement of Cash Flows

Year ended June 30, 2011

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>
Reconciliation of change in net assets from operations	
to net cash used for operating activities:	
Change in net assets from operations	\$ (40,214)
Adjustments to reconcile change in net assets from operations	
to net cash used for operating activities:	
Decrease in accounts receivable	851
Increase in prepaid expenses	(90)
Increase in accounts payable	<u>377</u>
Net cash used by operating activities	<u>\$ (39,076)</u>

See notes to financial statements.

Sample Mental Health Center

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Sample Mental Health Center is a non-profit 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.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Current Fund – The Current Fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitations of its charter and bylaws, except for amounts invested in land, buildings and equipment which may be accounted for in a separate fund.

The Center's Board may designate portions of the Current Fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for any designations within the Current Fund and segregates the designated and undesignated portions of the fund within the net assets section of the Statement of Financial Position.

Land, Building and Equipment Fund – The Land, Building and Equipment Fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the organization.

C. 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.

Purchases of property and equipment providing future benefits are directly charged against the Current Fund balance and capitalized in the Land, Building and Equipment Fund.

D. 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:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

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. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 40 years. No interest costs were capitalized since there were no qualifying assets.

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, 2011.

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. Total Column

The total column on the Statement of Financial Position and the Statement of Activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) 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>

(3) Pension and Retirement Plan

The Center maintains a defined contribution retirement plan authorized by the Center's by-laws which is administered by XYZ Insurance Company. The plan is available to all full-time employees who have completed one year of service.

Under the terms of the plan, the Center contributes an amount equal to 5% of the annual salary for each employee participating in the plan. 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, 2011, the Center's required and actual contributions were \$5,942, which is 5% of its current year covered payroll of \$118,840. Employees' required and actual contributions were \$3,565, which is 3% of the Center's current year covered payroll. The Center's total current year payroll for all employees was \$441,889.

(4) 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.



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STATE OF IOWA

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State Capitol Building
Des Moines, Iowa 50319-0004

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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 the financial statements of Sample Mental Health Center, Anywhere, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 22, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Mental Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2011 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. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Mental Health Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit Sample Mental Health Center's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Sample Mental Health Center and other parties to whom the Center may report and is not intended to be and should not be used by anyone other than these specified parties.

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.

DAVID A. VAUDT, CPA
Auditor of State

September 22, 2011

Sample Mental Health Center

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center’s financial statements. One individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion – Response accepted.

- (B) Financial Reporting – During our audit, we identified material amounts of receivables and property and equipment acquisitions not recorded in the Center’s financial statements. Adjustments were subsequently made by the Center to properly include these amounts in the financial statements.

Recommendation – The Center should implement procedures to ensure all receivables and property and equipment acquisitions are identified and included 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.

- (C) Restrictive Endorsement – A restrictive endorsement was not placed on checks received until the receipts were taken to the bank for deposit.

Recommendation – A restrictive endorsement, “for deposit only”, should be placed on checks when received to provide protection in case of theft or loss.

Response – We will endorse checks immediately upon receipt.

Conclusion – Response accepted.

Sample Mental Health Center

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) 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 Human Services to determine the disposition of this matter.

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

Conclusion – Response accepted.

Sample Mental Health Center

Staff

This audit was performed by:

Joan Q. Review, CPA, Manager
Jerome Warning, CPA, Senior Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State