



Joint Legislative Audit Committee  
Office of the Auditor General



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**FINANCIAL AUDIT REPORT**  
**STATE DEPARTMENT OF MENTAL HEALTH**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 1979**

REPORT TO THE  
CALIFORNIA LEGISLATURE

REPORT **F-517.1**

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

517.1

FINANCIAL AUDIT REPORT  
STATE DEPARTMENT OF MENTAL HEALTH  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI  
CHAIRMAN

November 21, 1980

517.1

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits  
the Auditor General's financial audit report of the State  
Department of Mental Health - Agency Fund Types, year ended  
June 30, 1979.

The auditors are Curt Davis, CPA; Merrill Tompkins, CPA; Glenn  
Ostapeck; Tim Bryan; and Karen Oliver.

Respectfully submitted,

S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	2
FINANCIAL STATEMENTS	
BALANCE SHEET	3
AGENCY FUNDS	
NOTES TO THE FINANCIAL STATEMENTS	4
SUPPLEMENTAL INFORMATION	5
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES	6
AGENCY FUNDS	
OTHER COMMENTS	7

## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Agency Funds of the State Department of Mental Health. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code. A separate report will be issued on the department's General Fund and General Fixed Assets Account Group for the year ended June 30, 1979.

The Agency Funds of the State Department of Mental Health are used to account for assets held by the department as a custodian.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Agency Funds of the State Department of Mental Health for the year ended June 30, 1979. 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.

In our opinion, the balance sheet of the Agency Funds presents fairly the financial position at June 30, 1979 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental information is not necessary for a fair presentation of the balance sheet but is presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
\_\_\_\_\_  
WESLEY E. VOSS  
Assistant Auditor General

Date: July 25, 1980

Staff: Curt Davis, CPA  
Merrill Tompkins, CPA  
Glenn Ostapeck  
Tim Bryan  
Karen Oliver

STATE DEPARTMENT OF MENTAL HEALTH

BALANCE SHEET  
AGENCY FUNDS

JUNE 30, 1979

ASSETS

Cash	\$335,731
Receivables	566,940
Property	<u>150</u>
Total Assets	<u>\$902,821</u>

LIABILITIES

Due to other funds	\$566,940
Due to depositors	<u>335,881</u>
Total Liabilities	<u>\$902,821</u>

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

STATE DEPARTMENT OF MENTAL HEALTH  
AGENCY FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement reflects the financial position of the Agency Funds of the State Department of Mental Health. The statement has been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

Agency Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. The department's Agency Funds are described below:

Trust Fund - This fund accounts for assets received on behalf of or from residents in the two state hospitals administered by the department.

Special Deposit Fund - This fund accounts for monies designated for specific purposes for which no other state fund has been established.



## SUPPLEMENTAL INFORMATION

The following combining statement of changes in assets and liabilities is not considered necessary for the fair presentation of the department's Agency Funds balance sheet but is presented as additional analytical data. The supplemental information has been subjected to the audit procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

## STATE DEPARTMENT OF MENTAL HEALTH

COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Balance July 1, 1978	Additions	Deductions	Balance June 30, 1979
<u>TRUST FUND</u>				
ASSETS				
Cash	\$279,610	\$2,058,690	\$2,054,397	\$283,364
Securities	1,098	125	1,073	150
Total Assets	<u>\$280,709</u>	<u>\$2,058,815</u>	<u>\$2,056,010</u>	<u>\$283,514</u>
LIABILITIES				
Due to depositors	<u>\$280,709</u>	<u>\$2,058,815</u>	<u>\$2,056,010</u>	<u>\$283,514</u>
Total Liabilities	<u>\$280,709</u>	<u>\$2,058,815</u>	<u>\$2,056,010</u>	<u>\$283,514</u>
<u>SPECIAL DEPOSIT FUND</u>				
ASSETS				
Cash	\$ 50,474	\$1,334,665	\$1,332,772	\$ 52,367
Receivables	--	566,940	--	566,940
Total Assets	<u>\$ 50,474</u>	<u>\$1,901,605</u>	<u>\$1,332,772</u>	<u>\$619,307</u>
LIABILITIES				
Due to other funds	\$ --	\$ 566,940	\$ --	\$566,940
Due to depositors	<u>50,474</u>	<u>1,334,665</u>	<u>1,332,772</u>	<u>52,367</u>
Total Liabilities	<u>\$ 50,474</u>	<u>\$1,901,605</u>	<u>\$1,332,772</u>	<u>\$619,307</u>
<u>TOTALS--ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$330,085	\$3,393,355	\$3,387,709	\$335,731
Receivables	--	566,940	--	566,940
Securities	1,098	125	1,073	150
Total Assets	<u>\$331,183</u>	<u>\$3,960,420</u>	<u>\$3,388,782</u>	<u>\$902,821</u>
LIABILITIES				
Due to other funds	\$ --	\$ 566,940	\$ --	\$566,940
Due to depositors	<u>331,183</u>	<u>3,393,480</u>	<u>3,388,782</u>	<u>335,881</u>
Total Liabilities	<u>\$331,183</u>	<u>\$3,960,420</u>	<u>\$3,388,782</u>	<u>\$902,821</u>

### OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control to the extent we considered necessary.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the department in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps