
**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY**

FINANCIAL STATEMENTS

DECEMBER 31, 2003

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



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**Auditor of State
Betty Montgomery**

Board of Health
Fairfield Department of Health
1587 Granville Pike
Lancaster, Ohio 43130

We have reviewed the Independent Auditor's Report of the Fairfield Department of Health, Fairfield County, prepared by Whited Seigneur Sams & Rahe, CPAs, LLP, for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairfield Department of Health is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 15, 2004

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**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY**

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September 3, 2004

Fairfield Department of Health
Fairfield County

Independent Auditor's Report

We have audited the accompanying financial statement of the Fairfield Department of Health, Fairfield County, Ohio, (the Health Department) as of and for the year ended December 31, 2003. This financial statement is the responsibility of the Health Department's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the second following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Health Department prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Health Department did not reconcile health clinic billing records to records of services provided, nor were certain records of services provided retained on file. As a result, we were unable to satisfy ourselves regarding health clinic receipts, which represent 95.89% of reported charges for service receipts in the Special Revenue Fund Type.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding health clinic receipts as discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Fairfield Department of Health, Fairfield County, Ohio, for the year ended December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004, on our consideration of the Health Department's internal control over financial reporting and on 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.

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Health Department's financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statement of the Health Department. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
CASH RECEIPTS			
Taxes	\$ 637,013	\$ 0	\$ 637,013
Intergovernmental	33,313	960,961	994,274
Charges for Services	259,581	539,970	799,551
Licenses and Permits	103,171	368,035	471,206
Fines	0	3,565	3,565
Donations	0	2,714	2,714
Other Receipts	<u>13,397</u>	<u>154,592</u>	<u>167,989</u>
TOTAL CASH RECEIPTS	<u>1,046,475</u>	<u>2,029,837</u>	<u>3,076,312</u>
CASH DISBURSEMENTS			
Salaries	562,422	1,086,315	1,648,737
Fringe Benefits	0	60,788	60,788
Supplies	37,752	185,171	222,923
Remittances to State	47,217	95,508	142,725
Equipment	21,826	103,358	125,184
Contracts - Repair	2,272	6,181	8,453
Contracts - Services	93,280	305,453	398,733
Travel	6,479	25,771	32,250
Advertising and Printing	2,659	22,297	24,956
Public Employee's Retirement	92,402	182,865	275,267
Worker's Compensation	6,291	9,203	15,494
Unemployment Compensation	695	0	695
Health Insurance	129,615	233,164	362,779
Medicare	<u>7,385</u>	<u>15,030</u>	<u>22,415</u>
TOTAL DISBURSEMENTS	<u>1,010,295</u>	<u>2,331,104</u>	<u>3,341,399</u>
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	<u>36,180</u>	<u>(301,267)</u>	<u>(265,087)</u>
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Reimbursements	40,797	142,023	182,820
Refunds	1,184	824	2,008
Transfers - In	0	110,575	110,575
Advances - In	18,200	57,900	76,100
Transfers - Out	(90,200)	(20,375)	(110,575)
Advances - Out	(18,200)	(57,900)	(76,100)
Other Financing Receipts	0	687	687
Other Financing Disbursements	<u>0</u>	<u>(4,625)</u>	<u>(4,625)</u>
TOTAL OTHER FINANCING RECEIPTS/(DISBURSEMENTS)	<u>(48,219)</u>	<u>229,109</u>	<u>180,890</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(12,039)	(72,158)	(84,197)
FUND CASH BALANCES, JANUARY 1	<u>37,523</u>	<u>561,755</u>	<u>599,278</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$ 25,484</u>	<u>\$ 489,597</u>	<u>\$ 515,081</u>
RESERVES FOR ENCUMBRANCES, DECEMBER 31	<u>\$ 7,454</u>	<u>\$ 65,091</u>	<u>\$ 72,545</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

The Fairfield County General Health District merged with the City of Lancaster Health Department on January 1, 2002 and became known as The Fairfield Department of Health. The Fairfield Department of Health, Fairfield County, Ohio, (the Health Department) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Health Department is directed by an eleven-member Board and a Health Commissioner. The Health Department's services include communicable disease investigations, immunization clinics, inspections, vital statistics, public health nursing services, and issues health-related licenses and permits.

The Health Department's management believes this financial statement presents all activities for which the Health Department is financially accountable.

- **Basis of Accounting**

This financial statement follows 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

- **Cash**

As required by Ohio Revised Code, the Fairfield County Treasurer is custodian for the Health Department's cash. The Health Department's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. The Health Department's portion of this pool for the year ended December 31, 2003 is \$515,081. The disclosures of the County's deposits and investments at December 31, 2003, are made in the County's Comprehensive Annual Financial Report.

- **Fund Accounting**

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

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fund Accounting (Continued)**

- Special Revenue Funds (Continued)**

- Public Health Nursing Fund - This fund receives reimbursements from Medicaid and Medicare for providing clinic services to low income families, Medicaid eligible persons, and the general population of the County.

- **Budgetary Process**

- The Ohio Revised Code requires that each fund be budgeted annually.

- Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year-end.

- Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

- Encumbrances** - The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

- A summary of 2003 budgetary activity appears in Note 2.

- **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 statements.

- **Accumulated Leave**

- In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Health Department's basis of accounting.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,147,288	\$1,088,456	\$ (58,832)
Special Revenue	<u>2,344,613</u>	<u>2,283,946</u>	<u>(60,667)</u>
Total	<u>\$3,491,901</u>	<u>\$3,372,402</u>	<u>\$ (119,499)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,112,384	\$1,107,949	\$ 4,435
Special Revenue	<u>2,556,368</u>	<u>2,421,195</u>	<u>135,173</u>
Total	<u>\$3,668,752</u>	<u>\$3,529,144</u>	<u>\$ 139,608</u>

3. FUNDING

The County apportions the excess of the Health Department's appropriations over other estimated receipts among the townships and municipalities composing the Health Department, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the Health Department. These amounts are included as tax receipts in the financial statements.

4. RETIREMENT SYSTEM

The Health Department's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, PER's members contributed 8.5% of their gross salaries. The Health Department contributed an amount equal to 13.55% of participants' gross salaries. The Health Department has paid all contributions required through December 31, 2003.

5. RISK MANAGEMENT

Risk Pool Membership

The Health Department belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

5. RISK MANAGEMENT (Continued)

- **Casualty Coverage**

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

- **Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

6. JOINTLY GOVERNED ORGANIZATIONS

FairCATS

The Fairfield County Agency Transportation Systems, Inc. (FairCATS) was created in March 2001 as a legally separate organization under Chapter 1702 of the ORC. This organization coordinates transportation services within Fairfield County. FairCATS is governed by a board consisting of 12 trustees who serve for three years each. Not more than one third of the members can be from for profit entities. Member organizations of FairCATS may be any individual, public or private entities. All members pay an annual membership fee of \$500. The Fairfield County MRDD is the Lead Agency and administers the organization. The project is contingent upon the continued availability of state and local funds. The Health Department has no equity interest and no debt obligations, nor is the existence of this organization dependent upon members from the Health Department.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southeastern Ohio Regional Tobacco Coalition

This coalition is a regional group of health districts working on an approach to tobacco control. The coalition is made up of Fairfield Department of Health, Licking County Health Department, Perry County General Health District, Ross County Health District, Vinton County General Health District and Newark City Health Department. The Fairfield Department of Health was approved by the board on June 13, 2002, to be the lead agency for the Southeastern Ohio Regional Tobacco Coalition. As the lead agency, the Fairfield Department of Health applies for the grant, receives the grant monies and distributes monies to other health districts to carry out the services relating to tobacco control. The various boards of health provide in-kind and/or cash match to the program such as salaries, fringes, supplies, travel, space, training and advertising. Contracts are entered in to with the various participating health districts detailing the operations. The contracts remain in force until the Ohio Tobacco Foundation terminates funding activities and services provided by the coalition. The participating health district provides the applicable services and submits the required supporting documentation for those services to the Health Department. The Health Department reimburses the participating health district based on the supporting documentation received. The Health Department has no equity interest and no debt obligations, nor is the existence of this organization dependent upon members from the Health Department.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Health			
Special Supplemental Nutrition Program for Women, Infants and Children	2310011CL03/ 2310011CL04	10.557	<u>\$ 248,676</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Ohio Department of Health			
Family Planning Services	2310011XX02/ 2310011XX03	93.217	94,816
Immunization Grants	2310012AZ03	93.268	59,948
Centers for Disease Control and Prevention - Investigation and Technical Assistance	2310012B103/ 2310012B104	93.283	127,351
Maternal and Child Health Services Block Grant	2310011MC03/ 2310011MC04	93.994	177,150
Passed Through Fairfield County Family, Adult and Children First Council			
Temporary Assistance for Needy Families		93.558	<u>199,622</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>658,887</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education			
Help Me Grow	2310021EG03	84.181	<u>3,506</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Ohio Department of Public Safety			
State and Community Highway Safety	23000HD0	20.600	<u>67,550</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 978,619</u>

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. Significant Accounting Policies

The accompanying schedule of expenditures of federal awards summarizes the activity of the Health Department's federal award programs. The schedule has been prepared on the cash basis of accounting.

2. Except for CFDA #10.557, Specific Supplemental Nutrition Program for Women, Infants and Children, all Federal awards expenditures include state matching funds, program income, etc.

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September 3, 2004

Fairfield Department of Health
Fairfield County

Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Required by *Government Auditing Standards*

We have audited the financial statement of Fairfield Department of Health (the Health Department) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 3, 2004, wherein we noted that due to inadequate accounting records we were unable to satisfy ourselves regarding reported health clinic reports. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Health Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-001 and 2003-002 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Health Department in a separate letter dated September 3, 2004.

Compliance

As part of obtaining reasonable assurance about whether the Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we reported to management of the Health Department in a separate letter dated September 3, 2004.

This report is intended solely for the information and use of management, the Board and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

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September 3, 2004

Fairfield Department of Health
Fairfield County

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Fairfield Department of Health (the Health Department) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Health Department's management. Our responsibility is to express an opinion on the Health Department'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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Health Department's compliance with those requirements.

In our opinion, the Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510	No
(d)(1)(vii)	Major Programs (list):	Special Supplemental Nutrition Program for Women, Infants and Children, CFDA#10.557. Centers for Disease Control and Prevention-Investigation and Technical Assistance, CFDA#93.283 Maternal and Child Health Services Block Grant, CFDA#93.994
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

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

**Finding Number 2003-001
Sliding Fee Determination**

A patient's income should be verified and documented to determine placement on the sliding fee scale. A patient's encounter form or individual case file did not always provide or contain income verifications and supporting documentation. This may result in incorrect placement on the sliding fee scale and incorrect billing amounts.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 2003**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2003-001

Sliding Fee Determination (Continued)

The Health Department should create a sliding fee application form to determine placement on the sliding fee scale and verify income. The form and support documentation should be kept in the patient's file. Such forms and documentation will provide support for fees charged.

Finding Number 2003-002

Reconciliation of SMI Payments

A monthly reconciliation between Steele Management, Inc., the Health Department's third party administrator for medical billing, and payments to the Health Department and receipts posted to the Health Department's applicable funds should be performed and maintained. Any discrepancies should be investigated and resolved.

The Fiscal Officer does not reconcile the payments received from Steele Management, Inc. to receipts posted to the applicable funds on a periodic basis. Although we noted no errors from our testing of individual transactions, failure to reconcile periodically could result in not resolving discrepancies in a timely manner and erroneous postings to applicable funds.

We recommend the Fiscal Officer perform and maintain monthly reconciliations of payments received from Steele Management, Inc. to receipts posted to the applicable funds.

Finding Number 2003-003

SAS 70

The Department of Health has delegated medical claims processing, a significant accounting function, to a third-party administrator, Steele Management, Incorporated. The Health Department had not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that medical claims have not been completely and accurately processed in accordance with the medical claims processing contract.

We recommend the Department of Health implement procedures to assure the completeness and accuracy of revenue recovery services processed by its third-party administrator. Such procedures might include independent reviews, comparisons or calculations performed by the Health Department; and independent evaluation of third-party administrator controls, as discussed below (SAS 70 report); or a combination of both.

Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the Health Department with an appropriate level of assurance that medical claims are being processed in conformance with the contract.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

**2. Finding Number 2003-003 (Continued)
SAS 70**

We recommend the Health Department specify in its contract with Steele Management, Incorporated that an annual tier II SAS 70 audit be performed. The Health Department should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit should be conducted in accordance with American Institute of Certified Public Accountant's (AICPA) standards and by a firm registered and considered in "good standing" with Accountancy Board of the respective State.

In the absence of a Tier II SAS 70 report, the Department of Health should perform a comparison or reconciliation of services provided to amounts billed and amounts collected. The Department of Health should also follow-up on selected and significant (or unusual) uncollected billings to determine they have been handled in accordance with the billing agreement terms. These procedures should be documented. Such procedures would help ensure the third-party administrator is properly billing for services provided and that amounts billed have been collected or written-off in accordance with the billing agreement.

3. Findings and Questioned Costs for Federal Awards

None

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
*OMB CIRCULAR A-133, §.315 (b)***

Finding Number 2002-001

Patient Billing Encounter Forms/Physician Appointment Lists

Records of services proved or scheduled should be maintained on the file and reconciled to service billing documents.

Patient billing Encounter Forms are sent to Steele Management, the Health Department's medical billing service agency. The Health Department clinic failed to update the physician appointment lists for any cancellations, no shows or walk ins and did not retain all physician appointment lists on file. Further, no attempt was made to reconcile the physician appointment lists to the number of Patient Billing Encounter Forms. As a result, the Health Department cannot reasonably ensure that all patients receiving services were billed.

We recommend the Health Department, at a minimum, develop and maintain a system to track the number of patients receiving clinic services and to ensure those services are billed. Physician appointment lists should be maintained so that patient bills can be generated and should, therefore, reflect any changes, such as cancellations, walk-ins and no shows. Every patient on the physician appointment list should have a corresponding Patient Billing Encounter Form. The number of patients on the physician appointment lists should be reconciled to the number of Patient Billing Encounter Forms at the end of each day. The reconciliation should be reviewed and approved by an appropriate supervisor and such approval should be evidenced.

Status: Corrected. Encounter forms are now reconciled to updated physician appointment lists.

Finding Number 2002-002

Verification of Income

A patient's income should be verified when services are provided to determine placement on the sliding fee scale. The Health Department should maintain income verifications and supporting documentation in the patient's file.

The Health Department did not always attempt to verify income information when providing services and therefore, could not determine a fee based on the sliding fee scale. Failure to verify patient income could result in uncollected revenue. Such verification will also provide support for fees charged.

We recommend the Health Department establish a policy addressing procedures to be followed in verifying the income of those patients who qualify for placement on the sliding fee scale. The Health Department should maintain income verifications and the related supporting documentation in the patient's file.

Status: Not Corrected. A sliding fee application form should be developed and completed accurately to determine the percentage to be applied to an applicant's fee. The Health Department should maintain this application, income verifications and supporting documentation in the patient's file.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
*OMB CIRCULAR A-133, § .315 (b)***

**Finding Number 2002-003
Allocation/Accounting of Salaries**

Employee wages should be charged/allocated to the proper fund based upon approved program budgets and/or approved time sheets. Time sheets should indicate actual hours worked on each program so that salaries can be allocated in relation to the hours worked.

One instance was noted where the salary was not charged to the proper fund per the program budget. In addition, where salaries are allocated amongst several programs, the approved time sheets do not indicate hours actually worked on the various programs nor is there other equivalent documentation or time study documentation.

We recommend the Health Department develop and maintain a system to track actual hours worked on each program by each employee in order to properly allocate the salary based on the hours worked on each program to the appropriate fund. Where wages and salary are charged to federal programs, the Health Department should consult Office of Management and Budget (OMB) Circular A-87 Attachment B and grantor agency regulations for the applicable documentation requirements.

Status: Corrected. During the Department's budgeting process, department heads indicate to the Fiscal Officer the appropriate programs to which employees will be assigned. After all of the program budgets are completed, the Fiscal Officer develops a master spreadsheet, which indicates where employees are assigned and the amount of their salaries, which are assigned to the various programs. After the spreadsheet is completed, department heads will review the spreadsheet, and sign it, indicating that employees have been properly assigned to programs. The supervisors will be asked to update these assignments, at least quarterly.

**Finding Number 2002-004
Reconciliation of SMI Payments**

A monthly reconciliation between Steele Management, Inc., the Health Department's third party administrator for medical billing, payments to the Health Department and receipts posted to the Health Department's applicable funds should be performed and maintained. Any discrepancies should be investigated and resolved.

The Fiscal Officer does not reconcile the payments received from Steele Management, Inc. to receipts posted to the applicable funds in a timely manner. Failure to reconcile monthly could result in not resolving discrepancies in a timely manner and erroneous postings to applicable funds.

We recommend the Fiscal Officer perform and maintain monthly reconciliations of payments received from Steele Management, Inc. to receipts posted to the applicable funds.

Status: Uncorrected. The Fiscal Officer should begin performing monthly reconciliations of the Steele Management, Inc. (SMI) payments to the monthly receipts. Any reconciling notes should be attached to the SMI monthly reports, and discrepancies should be investigated and resolved.

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS**
OMB CIRCULAR A-133, §.315 (b)

**Finding Number 2002-005
SAS 70**

The Department of Health has delegated medical claims processing, a significant accounting function, to a third-party administrator, Steele Management, Incorporated. The Health Department had not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that medical claims have not been completely and accurately processed in accordance with the medical claims processing contract.

We recommend the Department of Health implement procedures to assure the completeness and accuracy of revenue recovery services processed by its third-party administrator. Such procedures might include independent reviews, comparisons or calculations performed by the Health Department; and independent evaluation of third-party administrator controls, as discussed below (SAS 70 report); or a combination of both.

Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the Health Department with an appropriate level of assurance that medical claims are being processed in conformance with the contract.

We recommend the Health Department specify in its contract with Steele Management, Incorporated that an annual tier II SAS 70 audit be performed. The Health Department should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit should be conducted in accordance with American Institute of Certified Public Accountant's (AICPA) standards and by a firm registered and considered in "good standing" with Accountancy Board of the respective State.

In the absence of a Tier II SAS 70 report the Department of Health should perform a comparison or reconciliation of services provided to amounts billed and amounts collected. The Department of Health should also follow-up on selected and significant (or unusual) uncollected billings to determine they have been handled in accordance with the billing agreement terms. These procedures should be documented. Such procedures would help ensure the third-party administrator is properly billing for services provided and that amounts billed have been collected or written-off in accordance with the billing agreement.

Status: Uncorrected. Fairfield Department of Health decided not to require Steele Management, Inc. to have a SAS 70 audit conducted nor has the Department performed reconciliation procedures or performed follow-up on selected and significant (or unusual) uncollected billings.



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**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD 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
NOVEMBER 30, 2004**