

Huron County General Health District

Financial Condition

As of

December 31, 2003

Together with Auditor's Report



**Auditor of State
Betty Montgomery**

Board of Commissioners
Huron County General Health District
180 Milan Avenue
Norwalk, Ohio 44857-1168

We have reviewed the Independent Auditor's Report of the Huron County General Health District, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2003 to 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 Huron County General Health District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 2, 2004

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HURON COUNTY GENERAL HEALTH DISTRICT

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Independent Auditor's Report

Board of Huron County General Health District
Huron County, Ohio

I have audited the accompanying financial statements of Huron County General Health District as of December 31, 2003 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinion

As discussed Note 1, the District prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments and fund cash balances, of Huron County General Health District as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated May 28, 2004 on my consideration of Huron County General Health District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Huron County General Health District taken as a whole. 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.

This schedule is the responsibility of management of Huron County General Health District, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, auditor of state 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.

Kevin L. Penn, Inc.

May 28, 2004

Huron County General Health District
Huron County
Combined Statement of Cash and
Fund Cash Balances - All Fund Types
December 31, 2003

POOLED CASH AND INVESTMENTS

Cash and Cash Equivalents	\$543,183

Total	\$543,183
	=====

CASH BALANCES BY FUND TYPE

Governmental Fund Type:

General Fund	\$339,663
Special Revenue Funds	203,520

Total	\$543,183
	=====

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

Huron County General Health District
Huron County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Operating Cash Receipts:			
Taxes	\$535,740	-	\$535,740
Charges for Services	285,787	\$113,852	399,639
Licenses and Permits	69,437	73,365	142,802
Intergovernmental Receipts	73,000	32,435	105,435
Other Receipts	55,029	1,007,165	1,062,194
	-----	-----	-----
Total Operating Cash Receipts	1,018,993	1,226,817	2,245,810
	-----	-----	-----
Operating Cash Disbursements:			
Salary, Wages and Benefits	578,345	468,832	1,047,177
Insurance Incentive Buy Back	8,921	8,899	17,820
Supplies	57,812	-	57,812
Equipment	1,762	-	1,762
Contract – Repairs	326	-	326
Contract Services	4,155	-	4,155
Rentals	948	-	948
Travel Expenses	22,564	-	22,564
Contract Personnel	4,938	355,063	360,001
Advertising and Printing	1,528	-	1,528
Public Employee's Retirement	127,574	103,033	230,607
Workers Compensation	1,156	963	2,119
Medicare	7,138	6,445	13,583
Hospitalization	45,074	38,416	83,490
Program Expenses	5,245	309,387	314,632
Other Expenses	71,004	73,367	144,371
	-----	-----	-----
Total Operating Cash Disbursements	938,490	1,364,405	2,302,895
	-----	-----	-----
Excess of Receipts Over(Under) Disbursements before Other Financing Sources and (Uses)	80,503	(137,588)	(57,085)
	-----	-----	-----
Other Financing Sources and (Uses)			
Advances-In	85,000	220,000	305,000
Advances-Out	(220,000)	(85,000)	(305,000)
	-----	-----	-----
Total Other Financing Sources and (Uses)	(135,000)	135,000	0
	-----	-----	-----
Excess of Receipts Over (Under) Disbursements	(54,497)	(2,588)	(57,085)
	-----	-----	-----
Fund Cash Balance - January 1, 2003	394,160	206,108	600,268
	-----	-----	-----
Fund Cash Balance - December 31, 2003	\$339,663	\$203,520	\$543,183
	=====	=====	=====

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

Huron County General Health District
 Combined Statement of Receipts - Budget versus Actual
 For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (<u>Unfavorable</u>)
Governmental:			
General	\$1,532,309	\$1,103,993	(\$428,316)
Special Revenue	1,660,430	1,446,817	(213,613)
	-----	-----	-----
Total (memorandum only)	<u>\$3,192,739</u>	<u>\$2,550,810</u>	<u>(\$641,929)</u>
	=====	=====	=====

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

Huron County General Health District
 Combined Statement of Disbursements, and Encumbrances
 Compared with Expenditure Authority
 For the Year Ended December 31, 2003

	Prior Year Carryover <u>Appropriations</u>	2003 Appropriations	<u>Total</u>	Actual 2003 <u>Disbursements</u>	Encumbrances Outstanding at 12/31/2003	<u>Total</u>	Variance Favorable (Unfavorable)
Governmental Fund Type:							
General Fund	\$1,407	\$1,532,309	\$1,533,716	\$1,158,490	\$13,609	\$1,172,099	\$361,617
Special Revenue Funds	21,813	1,660,430	1,682,243	1,449,405	17,746	1,467,151	215,092
Total (Memorandum Only)	<u>\$23,220</u>	<u>\$3,192,739</u>	<u>\$3,215,959</u>	<u>\$2,607,895</u>	<u>\$31,355</u>	<u>\$2,639,250</u>	<u>\$576,709</u>

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

HURON COUNTY GENERAL HEALTH DISTRICT
HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

The Huron County General Health District, (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a union of the General Health District and the Board of Health of the Cities of Norwalk and Willard under the direction of a seven-member board with one member appointed by each of the cities and five members appointed by a district advisory council representing the county, townships, and villages. The County Auditor and County Treasurer are responsible for fiscal control of the resources of the District, which are maintained in the funds described below. Services provided by the District include medical assistance and public health and safety.

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

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

C. FUND ACCOUNTING

The District maintains the accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transaction of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund. This fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds. These funds are used to account for the proceeds of specific sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

HURON COUNTY GENERAL HEALTH DISTRICT
HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

D. BUDGETARY PROCESS

APPROPRIATIONS

An appropriation measure is adopted by the District on or before the first Monday of April in each year for the period January 1 to December 31 of the following year. The appropriation measure, together with an itemized estimate of the source of revenue available to the District for the next fiscal year, is submitted to the county auditor, who in turn submits it to the county budget commission.

The county budget commission reviews the appropriation measure and may reduce any item in the appropriation measure, but may not increase any item or the aggregate amount of all items in the appropriation measure.

The appropriation measure, as amended by the county budget commission, controls expenditures by the District for the period January 1 to December 31 of the following year. The District may, by resolution, transfer funds from one item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations or reduce total appropriations, subject to the availability of funds and to the approval of the county budget commission.

ENCUMBRANCES

The District is required by Ohio Law to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the budgetary equivalent of expenditures to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being reappropriated.

ESTIMATED RESOURCES

The county auditor calculates the estimated tax revenue available to the District. A certificate of estimated resources is prepared based upon this calculation and upon other financial information supplied in the budget sent by the District.

E. 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. Depreciation is not recorded for these fixed assets.

HURON COUNTY GENERAL HEALTH DISTRICT
HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION
(As Required by Various Statutes)

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Huron County Auditor acts as fiscal officer and the Huron County Treasurer acts as custodian of the moneys of the District. Huron County maintains a cash and investment pool used by all funds of the County and includes custodial funds for which the County Treasurer is custodian. It is impracticable at this time to differentiate District moneys from the County's cash and investment pool, and therefore disclosure of pooled cash and investments has only been made as part of the County's financial statements.

NOTE 3 - INSURANCE

The Huron County Commissioners maintain comprehensive insurance coverage as a member of a pooled insurance agreement with the County Risk Sharing Authority. The pool purchases excess insurance to supplement pool funds. Coverage includes comprehensive insurance coverage for real property, building contents, and vehicles. The District also maintains liability insurance coverage as a member of a pooled insurance agreement with the Public Entities Pool.

NOTE 4 - PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Health. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31.

HURON COUNTY GENERAL HEALTH DISTRICT
HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE 4 - PROPERTY TAXES (continued)

The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Health District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Health District.

NOTE 5 - RETIREMENT COMMITMENTS

The District'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 post retirement 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. As of December 31, 2003, the District picks up the employee contribution of 8.5 percent of the employees' gross wages. The District also contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2003.

NOTE 7 - CONTINGENT LIABILITIES

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Health Commissioner believe such disallowances, if any, will be immaterial.

NOTE 8 - LEASE COMMITMENT

Rental expense for the operating lease for the year ended December 31, 2003 was \$5,131.

The total future minimum rental payments required for the operating lease are as follows:

<u>December 31,</u>	
2004	\$ 5,131
2005	1,710

HURON COUNTY GENERAL HEALTH DISTRICT
HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE 9 – FEDERAL FUND SOURCE

Major funding source for Special Revenue consist of the following programs from the U.S. Department of Health & Human Services:

TANF – Help Me Grow	\$ 249,786
TANF – Teen Pregnancy Prevention	83,478
Family Planning Services	42,126
Abstinence Education Grant	148,660
Preventive Health and Health Services	92,704
Maternal and Child Health Services Block Grant	58,128
Public Health Infrastructure	110,274
Tobacco Prevention	28,369
Immunization Action Plan Grant	<u>22,026</u>
Total	<u>\$ 835,551</u>

NOTE 10.- SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

HURON COUNTY GENERAL HEALTH DISTRICT
SCHEDULE OF FEDERAL EXPENDITURE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Project <u>Number</u>	Total Awards <u>Expended</u>
Pass-through Programs:			
U.S. Department of Education			
Pass-through South Central Local School			
Part C Funds - Help Me Grow	84.181	39-5-001-1-EG	
		10/1/02-09/30/03	\$30,857
		10/01/03-06/30/04	37,164
Total Part C Funds - Help Grow			<u>68,021</u>
Total Department of Education			<u>68,021</u>
U.S. Department of Health & Human Services			
Pass-through Ohio Department of Health			
TANF - Help Me Grow	93.558	39-5-001-1-1-EG	
		07/01/02-09/15/03	167,770
		09/16/03-06/30/04	82,016
Subtotal			<u>249,786</u>
TANF - Teen Pregnancy Prevention	93.558	07/01/02-06/30/03	63,891
		09/01/03-06/30/04	19,587
Subtotal			<u>83,478</u>
Total TANF			<u>333,264</u>
Family Planning Services	93.217	39-1-001-1-XX	
		3/1/03-2/28/04	42,126
Total Family Planning Services			<u>42,126</u>
Abstinence Education Grant	93.235	39-1-001-4-CS	
		10/1/02-9/30/03	123,738
		10/1/03-9/30/04	24,922
Total Abstinence Education Grant			<u>148,660</u>
Preventive Health and Health Services	93.991	39-1-001-2-ED	
		1/1/03-12/31/03	92,704
Total Cardiovascular Health			<u>92,704</u>
Maternal and Child Health Services Block Grant	93.994	39-1-001-1-A1	
		10/1/02-9/30/03	40,784
		10/1/03-9/30/04	17,344
Total Maternal and Child Health Services Block Grant			<u>58,128</u>

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

HURON COUNTY GENERAL HEALTH DISTRICT
SCHEDULE OF FEDERAL EXPENDITURE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Project <u>Number</u>	Total Awards <u>Expended</u>
Pass-through Programs:			
U.S. Department of Health & Human Services			
Pass-through Ohio Department of Health			
Public Health Infrastructure	93.283	39-1-001-2-BI	
		8/31/02-8/30/03	90,007
		8/31/03-8/30/04	20,267
Total Public Health Infrastructure			110,274
Tobacco Prevention	93.283	39-1-001-2-CJ	
		6/1/02-5/31/03	28,369
Total Tobacco Prevention			28,369
Immunization Action Plan Grant	93.268	39-1-001-2-AZ	
		01/01/03-12/31/03	22,026
Total Immunization Action Plan Grant			22,026
Total Department of Health & Human Services			835,551
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$903,572

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



Kevin L.
Penn, Inc.

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Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Huron County General Health District
Huron County, Ohio

I have audited the financial statements of Huron County General Health District as of and for the year ended December 31, 2003, and have issued my report thereon dated May 28, 2004. I conducted my audit in accordance with generally accepted auditing standards 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.

Compliance

As part of obtaining reasonable assurance about whether Huron County General Health District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2003-1. I noted certain immaterial instances of noncompliance, which I have reported to management of Huron County General Health District in a separate letter dated May 28, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Huron County General Health District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Huron County General Health District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My 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, I believe that none of the reportable conditions described above, is a material weaknesses.

This report is intended solely for the information of Huron County General Health District, the Auditor of State of Ohio, Federal awarding agencies and pass-through entities 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.

Kevin L. Penn, Inc.

May 28, 2004



Kevin L.
Penn, Inc.

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

Board of Huron County General Health District
Huron, Ohio

Compliance

I have audited the compliance of Huron County General Health District 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. Huron County General Health District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Huron County General Health District's management. My responsibility is to express an opinion on Huron County General Health District's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards 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 I 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 Huron County General Health District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Huron County General Health District's compliance with those requirements.

In my opinion, Huron County General Health District 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. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-1.

Internal Control Over Compliance

The management of Huron County General Health District 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 my audit, I considered Huron County General Health District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Huron County General Health District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1.

A material weakness is a 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 the applicable requirements of laws, regulations, contracts, and grants 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. My consideration of the internal control over compliance 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, I believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of Huron County General Health District, the Auditor of State of Ohio, Federal awarding agencies and pass-through entities 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.

Kevin L. Penn, Inc.

May 28, 2004

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
93.558	TANF – Help Me Grow
93.235	Abstinence Education Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

2003-1

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558)**

Condition:

During the testing of client files, pertaining to the Help Me Grow program, the following conditions were noted:

1. In 2 out of 40 files tested, proof of income was not verified, in order to properly determine the eligibility of the applicant.
2. In 5 out of 40 files tested, the proper form was not obtained in order to properly verify the age of the client.
3. In 5 out of 40 files tested, the “Prevention, Retention, and Contingency” application was not maintained in the client’s file.
4. In 2 out of 40 files tested, the “Applicant/Recipient Authorization for Release of Information” form was not maintained in the client’s file. In addition, there one instance, whereby the “Applicant/Recipient Authorization for Release of Information” form was not signed by the parent.
5. In 7 out of 40 files tested, there was no evidence, supporting that four or more risk factors were present.
6. TANF funds passed through the Parents as Teachers program, were not properly monitored. During the testing of these funds, I was not able to verified in 36 out of 40 files tested, whether units submitted were actually provided. There were no monthly or quarterly reports available to document the Early Start services, only invoices indicating the number of visits each month. Furthermore, if a parent or guardian was not determined to be eligible by the Huron County General Health District, but was referred to the provider, the District did not verify the parent or guardian’s eligibility, prior to the invoice being paid in full.

Criteria:

The following documents should be either obtained or verified:

- Proof of income (i.e., pay stub; W-2).
- Document indicating date of birth.
- Evidence supporting that four or more risk factors were present.
- Prevention, Retention and Contingency application, signed by the applicant and case consultant.
- Applicant/Recipient Authorization for Release of Information form.

In addition, federal funds passed through to another agency should be monitored, in order to determine whether the federal funds were properly expensed during the fiscal year.

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2003

2003-1

Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558) (continued)

Effect:

Client files were not always properly maintained. Furthermore, pass-through funds were not properly monitored.

Cause:

Oversight by management.

Recommendation:

I recommend that the following documents be reviewed and/or maintained in the client's file:

- Proof of income (i.e., pay stub; W-2).
- Document indicating date of birth.
- Evidence supporting that four or more risk factors were present.
- Prevention, Retention and Contingency application, signed by the applicant and case consultant.
- Applicant/Recipient Authorization for Release of Information form.

In addition, I recommend the following procedures be performed, in order to properly monitor passed through federal funds:

- A monthly report should be obtained from recipient agency, documenting the services performed.
- Quarterly audits should be performed of the parent or guardian's file, noting the following : 1) the type of service provided; 2) signature of the parent or guardian; 3) documentation supporting eligibility.

Huron County General Health District
Summary Schedule of Prior Findings
December 31, 2003

2002-1

Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558)

Recommendation:

I recommend that the following documents be reviewed and/or maintained in the client's file:

- Proof of income (i.e., pay stub; W-2).
- Document indicating date of birth.
- Evidence supporting that four or more risk factors were present.
- Prevention, Retention and Contingency application, signed by the applicant and case consultant.
- Applicant/Recipient Authorization for Release of Information form.

In addition, I recommend the following procedures be performed, in order to properly monitor passed through federal funds:

- A monthly report should be obtained from recipient agency, documenting the services performed.
- Quarterly audits should be performed of the parent or guardian's file, noting the following : 1) the type of service provided; 2) signature of the parent or guardian; 3) documentation supporting eligibility.

Auditee's Response:

1. Proof of income.
 - a. Proof of income is required for TANF eligible clients. Some of the Health Department clients were billed under GRF or Part C funds; therefore income verification was not necessary for the Health Department visits. The Parents as Teachers files did not always have proof of income because staff may have been under the assumption that this information was obtained through central intake and referral.
 - b. The Parents as Teachers files should indicate that the proof of income has been obtained by the Health Department if it is not verified by them. An extra step by the health department has been implemented to notify PAT service provider on the referral sheet that income verification has been or has not been completed at the time of referral. This should eliminate any confusion as to who is responsible for this step. It will also be stressed that this process must be completed at least annually.

Huron County General Health District
Summary Schedule of Prior Findings
December 31, 2003

2002-1

Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558) (continued)

Auditee's Response: (continued)

2. Age verification.
 - a. The nurses indicated that they were not aware that a copy of the birth certificate was needed in every file to prove the age of the client. The birth certificate was viewed by the nurse, and information was taken from the certificate, but a copy was not placed in the file in every case.
 - b. This condition will be corrected by the nursing staff at the Health Department placing a copy of the birth certificate or a copy of the birth verification card from the hospital in every new client's file. The birth certificate will only be in the Health Department files, not the Parents as Teachers files.
3. The Prevention, Retention and Contingency application.
 - a. The PRC form was missing from many files because the nursing staff apparently was under the impression that the TANF eligibility form used by the Health District was a sufficient replacement for the PRC. It was brought to our attention in February of 2003, that every TANF client must have a completed PRC form in the file before that visit can be billed. There was a lack of communication between the health district, Parents as Teachers and the Huron County Job and Family Services as to what forms were required to be completed.
 - b. All TANF clients will have a PRC completed before the TANF client will be billed as TANF. Any referrals to Parents as Teachers will be marked as either TANF eligibility established by HCGHD or TANF eligibility needs to be established.
4. The applicant/Recipient Authorization for Release of Information.
 - a. The Release of Information form was not in some files because staff apparently believed that a release was not necessary beyond Parents as Teachers. They apparently believed that the only time a release was necessary was when information was being released to another agency.
 - b. A Release of Information form will be signed by every new client. This authorization for release of information will also be completed on an annual basis. The release needs to be completed for both Health Department files and Parents as Teachers files.

Huron County General Health District
Summary Schedule of Prior Findings
December 31, 2003

2002-1

Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558) (continued)

Auditee's Response: (continued)

5. Risk Factors.
 - a. Clients that are GRF or Part C eligible do not have to have risk factors established. TANF clients do need to have the risk factors listed. Some files had risk factors circled on the copy of the birth certificate. This may have been hard to find in an audit. Parents as Teachers charts did not always have the risk factors listed because they apparently were under the assumption that this was determined by the Health Department during central intake and referral.
 - b. In the future, all risk factors for TANF eligible clients will be listed on a separate form which will include the clients name and the date of completion. This will make it easier for audit purposes, to find the information in the same location in every file.
6. TANF pass through funds to Parents as Teachers were not properly monitored.
 - a. A monthly list of services provided is submitted at the end of every month to bill from. This billing list indicates all funding sources that the child is eligible to be billed from. This list is kept with the HD copy of the invoice.
 - b. The first audit on PAT files was conducted in May 2003. It is the intent of the Health Department to audit quarterly, approximately 5% of all charts that services are provided and billed for in 2003.
 - c. A quarterly audit will be conducted of the health department charts also to assure that the necessary forms have been completed for TANF funds.
 - d. The following items will be obtained or verified through the audit.
 - Proof of income; Medicaid card, pay stub, W-2 or a signed statement of no income.
 - Documentation of the date of birth; birth certificate or crib card.
 - Evidence of at least four risk factors.
 - Prevention, Retention and Contingency application completed, signed and dated by applicant and service provider.
 - Application for release of information.
 - Signature of parent or guardian on file verifying the date of service provided.



HURON COUNTY GENERAL HEALTH DISTRICT

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Earl R. McLoney, M.D.
Health Commissioner

CORRECTIVE ACTION PLAN

December 31, 2003

Oversight Agency for Audit: Department of Health and Human Services

Huron County General Health District, respectfully submits the following corrective action plan for the year ended December 31, 2003.

Name and address of independent public accounting firm: Kevin L. Penn, Inc. 13212 Shaker Square Suite 100, Cleveland, Ohio 44120.

Audit Period: December 31, 2003.

The findings from the December 31, 2003 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

2003-1

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558)**

Recommendation:

I recommend that the following documents be reviewed and/or maintained in the client's file:

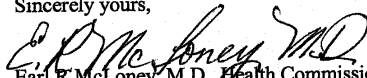
- Proof of income (i.e., pay stub; W-2).
- Document indicating date of birth.
- Evidence supporting that four or more risk factors were present.
- Prevention, Retention and Contingency application, signed by the applicant and case consultant.
- Applicant/Recipient Authorization for Release of Information form.

Auditee's Response:

The conditions presented here are similar to the 2002 conditions, but on a lesser degree. The steps that were recommended in 2002 were implemented in June, 2003 after the audit was completed. Therefore, any visits made prior to June 2003 would not reflect the changes made. I believe that some of the files that were audited through the 2003 audit were from May, 2003. This could explain some of the discrepancies found in the files. As for the Parents as Teachers program files, they did not contract for the Grant Year 07/01/2003 to 06/30/2004. Any files that were audited for PAT would not have reflected the changes made after the 2002 audit. Quarterly audits were implemented in June, 2003 also. Since then, the number of missing or incomplete documentation in the files has decreased drastically over 2003. The files are not 100% error free, but they have improved and we will continue to audit on a quarterly basis to strive for perfection.

If there any questions regarding this plan, please call Bonita A. Barna, Fiscal Officer at (419) 668-1652.

Sincerely yours,


Earl K. McLoney, M.D., Health Commissioner
Huron County General Health District



**Auditor of State
Betty Montgomery**

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HURON COUNTY GENERAL HEALTH DISTRICT

HURON 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 12, 2004**