



## Auditor of State Betty Montgomery

### MANAGEMENT LETTER

District Board of Health  
Union County  
940 London Avenue  
Marysville, Ohio 43040

To the Members of the Board:

In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the financial statements of the District Board of Health, Union County, Ohio (the District), as of and for the years ended December 31, 2004, and December 31, 2003, and have issued our report thereon dated June 22, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

*Government Auditing Standards* also require that we describe the scope of our testing of compliance with laws and regulations and internal control over financial reporting and report any irregularities, illegal acts, other material noncompliance, and reportable conditions in internal controls. We have issued the required report dated June 22, 2005, for the years ended December 31, 2004, and December 31, 2003.

We are also submitting for your consideration the following comments on the District's internal controls. These comments reflect matters that, while in our opinion do not represent reportable internal control conditions, we believe represent matters for which improvements in internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your District. If you have any questions or concerns regarding these comments please do not hesitate to contact us.

### RECOMMENDATIONS

#### **Payroll Records**

Employees of the District accrue sick leave each payroll cycle and are also credited with personal leave during each fiscal year in accordance with Board policy.

Leave balances, usage, and accrual records are tracked and recorded for each payroll cycle by the Bookkeeper of the Board, however this data is not being submitted to, or tracked by the Union County Auditor's office which processes payroll expenditures as the Board's fiscal agent.

We recommend that the District submit leave balances and accrual rates to the fiscal agent's Payroll Officer for each employee of the District. When paid leave is used by an employee, the amount used should be reflected on the bi-weekly payroll worksheet, as submitted to the County Auditor, so that it can be accurately entered into the County's payroll system. This will enable the fiscal agent to also maintain and track the leave balances and usage records for each of these District's employees, and to provide an additional paper trail for all payroll expenditures.

## **RECOMMENDATIONS (Continued)**

### **Payroll Records (Continued)**

In addition, the Bookkeeper of the District Board of Health should reconcile the leave balance data maintained within their accounting records to the records maintained by the County Auditor's office on a regular basis to gain assurance that this payroll information is being accurately tracked and recorded for each county employee.

### **Timesheet Approval**

Employees of the District Board of Health complete manual timesheets which detail hours worked during each two-week pay period. These timesheets are submitted to the District's Bookkeeper, who utilizes the data reported on the forms to compile payroll information for each employee during the pay period. The information is entered into the District's accounting records, and is also submitted to the Union County Auditor's office, which processes payroll expenditures as the District's fiscal agent.

In accordance with approved policies, bi-weekly timesheets are to be signed by both the employee and the employee's department head or supervisor. By signing the timesheet, the supervisor is evidencing the review, approval and verification of the information entered. Leave Request forms are also submitted by an employee, when necessary, to account for any leave usage entered on the timesheet. These Leave Request forms are also signed by the department head or supervisor evidencing their review and approval of the leave time used. However, our testing and review of timesheets and Leave Request forms as submitted by the Health Commissioner did not contain any review or approval by any other authority, or by a member of the Board. Our testing noted two instances where the Commissioner received payment for hours in excess of what was reported as worked on the timesheet submitted. These discrepancies were the result of errors or omissions on the part of the Health Commissioner when completing these timesheets. Further investigation was required to locate additional documentation to determine that the salary received by the Commissioner for these pay periods was appropriate.

We recommend that a member of the Board review and approve the bi-weekly timesheets for the Health Commissioner. This review should include verification of the total hours worked and approval of any leave hours used by the Commissioner for each pay period. This procedure will not only serve as a way for the Board to gain assurance that the total hours worked each period are in accordance with the Health Commissioner's approved employment contract, but will also provide additional assurance that the information reported on the timesheets is free from any errors or omissions which could result in the inappropriate expenditure of public money.

### **Audit Committee Recommendation**

The District Board of Health should establish an Audit Committee to serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the District's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

## RECOMMENDATIONS (Continued)

### Audit Committee Recommendation (Continued)

The Audit Committee should be actively involved in:

- Meeting with the District's independent auditors before and after each audit;
- Monitoring the progress of the financial audit;
- Evaluating the results of the financial audit; and
- Ensuring that the internal control issues identified in the audit are promptly and effectively remedied.

In addition, the Audit Committee should meet regularly (perhaps quarterly) to monitor the District's financial condition and controls over the safeguarding of assets.

The Audit Committee can include members of the Board of Health. However, it can also include representation that is independent from officials or management. The Committee could include professionals knowledgeable in the District's financial operations, such as attorneys or bankers.

These comments are intended for the information and use of management and the Board, and are not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 22, 2005