

Huron County General Health District

Financial Condition

As of

December 31, 2004

Together with Auditor's Report



**Auditor of State
Betty Montgomery**

Board Members
Huron County General Health District
180 Milan Avenue
Norwalk, Ohio 44857

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, 2004 to December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

July 26, 2005

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HURON COUNTY GENERAL HEALTH DISTRICT

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash and Fund Cash Balance - All Fund Types and Account Groups	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All governmental Fund Types	4
Combined Statement of Receipts - Budget versus Actual	5
Combined Statement of Disbursements, and Encumbrances Compared with Expenditure Authority	6
Notes to Financial Statements	7
Schedule of Expenditures of Federal Awards	12
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	14
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	16
Schedule of Findings and Questioned Costs	18
Summary Schedule of Prior Audit Findings	24
Corrective Action Plan	25



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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, 2004 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 described more fully in Note 1, the District prepares its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Huron County General Health District as of December 31, 2004, 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, I have also issued a report dated May 31, 2005 on my consideration of Huron County General Health District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report describes the scope of my testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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 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.

Kevin L. Penn, Inc.

May 31, 2005

Huron County General Health District
Huron County
Combined Statement of Cash and
Fund Cash Balances - All Fund Types
December 31, 2004

POOLED CASH AND INVESTMENTS

Cash and Cash Equivalents	\$583,019

Total	\$583,019
	=====

CASH BALANCES BY FUND TYPE

Governmental Fund Type:

General Fund	\$454,866
Special Revenue Funds	128,153

Total	\$583,019
	=====

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, 2004

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Operating Cash Receipts:			
Taxes	\$563,533	-	\$563,533
Charges for Services	299,690	\$123,589	423,279
Licenses and Permits	72,476	58,555	131,031
Intergovernmental Receipts	72,060	32,550	104,610
Other Receipts	53,634	918,454	972,088
	-----	-----	-----
Total Operating Cash Receipts	1,061,393	1,133,148	2,194,541
	-----	-----	-----
Operating Cash Disbursements:			
Salary, Wages and Benefits	528,061	587,981	1,116,042
Insurance Incentive Buy Back	7,874	8,176	16,050
Supplies	79,380	-	79,380
Equipment	-	-	-
Contract – Repairs	564	-	564
Contract Services	1,886	-	1,886
Rentals	395	-	395
Travel Expenses	19,802	-	19,802
Contract Personnel	4,513	185,535	190,048
Advertising and Printing	720	-	720
Public Employee's Retirement	112,749	123,385	236,134
Workers Compensation	5,353	4,542	9,895
Medicare	6,431	7,898	14,329
Hospitalization	45,506	43,533	89,039
Program Expenses	5,280	218,910	224,190
Other Expenses	97,676	58,555	156,231
	-----	-----	-----
Total Operating Cash Disbursements	916,190	1,238,515	2,154,705
	-----	-----	-----
Excess of Receipts Over(Under) Disbursements before Other Financing Sources and (Uses)	145,203	(105,367)	39,836
	-----	-----	-----
Other Financing Sources and (Uses)			
Advances-In	75,000	105,000	180,000
Advances-Out	(105,000)	(75,000)	(180,000)
	-----	-----	-----
Total Other Financing Sources and (Uses)	(30,000)	30,000	-
	-----	-----	-----
Excess of Receipts Over (Under) Disbursements	115,203	(75,367)	39,836
	-----	-----	-----
Fund Cash Balance - January 1, 2004	339,663	203,520	543,183
	-----	-----	-----
Fund Cash Balance - December 31, 2004	\$454,866	\$128,153	\$583,019
	=====	=====	=====

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, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (<u>Unfavorable</u>)
Governmental:			
General	\$1,069,800	\$1,136,393	\$ 66,593
Special Revenue	1,364,381	1,238,148	(126,233)
	-----	-----	-----
Total (memorandum only)	\$2,434,181	\$2,374,541	\$(59,640)
	=====	=====	=====

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, 2004

	Prior Year Carryover <u>Appropriations</u>	2004 Appropriations	<u>Total</u>	Actual 2004 <u>Disbursements</u>	Encumbrances Outstanding at 12/31/2004	<u>Total</u>	Variance Favorable (Unfavorable)
Governmental Fund Type:							
General Fund	\$13,609	\$1,069,800	\$1,083,409	\$1,021,190	\$18,405	\$1,039,595	\$43,814
Special Revenue Funds	17,746	1,364,381	1,382,127	1,313,515	21,715	1,335,230	46,897
	-----	-----	-----	-----	-----	-----	-----
Total (Memorandum Only)	\$31,355	\$2,434,181	\$2,465,536	\$2,334,705	\$40,120	\$2,374,825	\$90,711
	=====	=====	=====	=====	=====	=====	=====

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, 2004

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, 2004

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, 2004

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, 2004

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, 2004, 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, 2004.

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 believes such disallowances, if any, will be immaterial.

NOTE 8 - LEASE COMMITMENT

Rental expense for the operating lease for the year ended December 31, 2004 was \$12,141.

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

<u>December 31,</u>	
2005	\$12,141
2006	12,141
2007	12,141
2008	<u>8,094</u>
Total	<u>\$44,517</u>

HURON COUNTY GENERAL HEALTH DISTRICT
HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

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	\$ 183,102
TANF – Teen Pregnancy Prevention	78,583
Family Planning Services	70,495
Abstinence Education Grant	122,718
Preventive Health and Health Services	79,293
Maternal and Child Health Services Block Grant	94,859
Public Health Infrastructure	136,293
Immunization Action Plan Grant	<u>23,980</u>
Total	<u>\$ 789,323</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, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Project Number	Total Awards Expended
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	
		10/01/03-09/30/04	\$ 31,879
		10/01/04-06/30/05	31,567
Total Part C Funds - Help Grow			63,446
Total Department of Education			63,446
 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	
		07/01/03-06/30/04	91,324
		07/01/04-06/30/05	91,778
Subtotal			183,102
TANF - Teen Pregnancy Prevention	93.558	07/01/03-06/30/04	41,991
		09/15/04-06/30/05	36,592
Subtotal			78,583
Total TANF			261,685
Family Planning Services	93.217	39-1-001-1-XX	
		3/1/03-5/31/04	30882
		6/1/04-2/28/05	39,613
Total Family Planning Services			70,495
Abstinence Education Grant	93.235	39-1-001-4-CS	
		10/1/03-9/30/04	95,316
		10/1/04-9/30/05	27,402
Total Abstinence Education Grant			122,718
Preventive Health and Health Services	93.991	39-1-001-2-ED	
		1/1/04-12/31/04	79,293
Total Cardiovascular Health			79,293
Maternal and Child Health Services Block Grant	93.994	39-1-001-1-A1	
		07/1/03-6/30/04	54,040
		07/1/04-6/30/05	40,819
Total Maternal and Child Health Services Block Grant			94,859

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, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Project Number	Total Awards Expended
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	
		8/31/03-8/30/04	111,198
		8/31/04-8/30/05	<u>25,095</u>
Total Public Health Infrastructure			136,293
Immunization Action Plan Grant	93.268	39-1-001-2-AZ	
		01/01/04-12/31/04	<u>23,980</u>
Total Immunization Action Plan Grant			<u>23,980</u>
Total Department of Health & Human Services			<u>789,323</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE			 <u><u>\$ 852,769</u></u>

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, 2004, and have issued my report thereon dated May 31, 2005. 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.

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 an opinion 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 2004-3. I also noted certain additional matters that I reported to management of Huron County General Health District in a separate letter dated May 31, 2005.

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.

Compliance and Other Matters

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 which are described in the accompanying schedule of findings and questioned costs as items 2004-1; 2004-2; 2004-3 and 2004-4. I also noted certain additional matters that I reported to management of Huron County General Health District in a separate letter dated May 31, 2005.

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

Kevin L. Penn, Inc.

May 31, 2005



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, 2004. 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, 2004. 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 2004-1; 2004-2; 2004-3 and 2004-4.

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 2004-1; 2004-2; 2004-3 and 2004-4.

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 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. 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 and use of management, 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.

Kevin L. Penn, Inc.

May 31, 2005

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2004

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
84.181	Part C Funds – Help Me Grow
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

See 2004-3

Section III - Federal Award Findings and Questioned Costs

2004-1

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF (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 30 files tested, proof of income was not verified, in order to properly determine the eligibility of the applicant.
2. In 6 out of 30 files tested, the proper form was not obtained in order to properly verify the age of the client.
3. In 3 out of 30 files tested, the “Prevention, Retention, and Contingency” application was not properly completed in the client’s file. There were instances, whereby, the social security numbers were not recorded and signatures were not obtained.
4. In 1 out of 30 files tested, the “Applicant/Recipient Authorization for Release of Information” form was not maintained in the client’s file.
5. In 1 out of 30 files tested, there was no evidence, supporting that four or more risk factors were present.
6. In 8 out of 30 files tested, the social security card was not obtained for all household members.
7. In 1 out of 30 files tested, there was no evidence that a visit was made to the client. There was no signature from the parent or guardian.

Criteria:

The following documents should be either obtained or verified:

- Proof of income (i.e., pay stub; W-2).
- Document indicating date of birth.
- Social security card for each household member.
- 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.

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2004

2004-1

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

Effect:

Client files were not always properly maintained.

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.
- Social security card for each household member.
- 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.

2004-2

Department of Health & Human Services
Pass-through South Central Local School
Help Me Grow – Part C (CFDA #84.181)

Condition:

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

- 1 In 1 out of 10 files tested, the "Consent for Help Me Grow Services" was not located in the client's file; therefore, I was unable to verify consent to participate in the federal program as a result of not obtaining an authorized signatures from the parent or legal guardian or a witness signature.
- 2 In 7 out of 10 files tested, the social security card was not obtained for all household members.
- 3 In 4 out of 10 files tested, the proper form was not obtained in order to properly verify the age of the client.
- 4 In 4 out of 10 files tested, there was no evidence that a visit was made to the client. There was no signature from the parent or guardian.
- 5 In 1 out of 10 files tested, the "Release of Medical Records and Program Reports" form was not maintained in the client's file.

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2004

2004-2

**Department of Health & Human Services
Pass-through South Central Local School
Help Me Grow – Part C (CFDA #84.181) (continued)**

Criteria:

The following documents should be either obtained or verified:

- Consent for Help Me Grow Services form.
- Document indicating date of birth.
- Social security card for each household member.
- Documentation in order to verify every visit made to the client..
- Release of Medical Records and Program Reports form.

Effect:

Client files were not always properly maintained.

Cause:

Oversight by management.

Recommendation:

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

- Consent for Help Me Grow Services form, with an authorized signature from the parent or legal guardian or a witness signature.
- Document indicating date of birth.
- Social security card for each household member.
- Documentation in order to verify every visit made to the client, with an authorized signature from the parent or legal guardian.
- Release of Medical Records and Program Reports form, with an authorized signature from the parent or legal guardian.

2004-3

**Department of Health & Human Services
Pass-through South Central Local School
and Ohio Department of Health
Help Me Grow – Part C (CFDA #84.181)
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558)
Abstinence Education Grant (CFDA #93.235)
Public Health Infrastructure (CFDA #93.283)**

Payroll Allocation

Condition:

Payroll allocations were based on allocation percentages determined in May of 2003.

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2004

2004-3

**Department of Health & Human Services
Pass-through South Central Local School
and Ohio Department of Health
Help Me Grow – Part C (CFDA #84.181)
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558)
Abstinence Education Grant (CFDA #93.235)
Public Health Infrastructure (CFDA #93.283)**

Payroll Allocation (continued)

Criteria:

The method of allocation percentages should be updated on a quarterly basis.

Effect:

Could result in potential questioned costs.

Cause:

Oversight by management.

Recommendation:

I recommend that the allocation of payroll costs, pertaining to each federal program, be updated on a quarterly basis. By performing this procedure, the risk of incurring questioned costs will be significantly reduced.

2004-4

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Abstinence Education Grant (CFDA #93.235)**

Matching Funds

Condition:

Documentation was not obtained in order to verify match funds, during the grant period.

Criteria:

The 75% match funds will be funded through Volunteer Services, Rental Space, Teacher Time, Classroom Space, and Evaluation Services.

Huron County General Health District
Schedule of Findings and Questioned Costs
December 31, 2004

2004-4

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Abstinence Education Grant (CFDA #93.235)**

Matching Funds (continued)

Effect:

Could result in potential questioned costs.

Cause:

Oversight by management.

Recommendation:

I recommend that supporting documentation pertaining to the following 1) Volunteer Services, 2) Rental Space, 3) Teacher Time, 4) Classroom Space, and 5) Evaluation Services be obtained in order to comply with the guidelines established in the grant agreement with the funding source. By performing this procedure, the risk of incurring questioned costs will be significantly reduced.

Huron County General Health District
Summary Schedule of Prior Findings
December 31, 2004

2003-1

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF (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:

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.

Current Status:

This finding will be repeated in the 2004 audit, with the exception of monitoring passed through federal funds.



HURON COUNTY GENERAL HEALTH DISTRICT

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Earl R. McLoney, M.D.
Health Commissioner

CORRECTIVE ACTION PLAN

December 31, 2004

Oversight Agency for Audit: Department of Education

Huron County General Health District, respectfully submits the following corrective action plan for the year ended December 31, 2004.

Name and address of independent public accounting firm: Kevin L. Penn, Inc. 11811 Shaker Blvd., Suite 421, Cleveland, Ohio 44120.

Audit Period: December 31, 2004.

The findings from the December 31, 2004 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

2004-1

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Help Me Grow – TANF (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.
- Social security card for each household member.
- 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.

2004-2

**Department of Health & Human Services
Pass-through South Central Local School
Help Me Grow – Part C (CFDA #84.181)**

Recommendation:

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

- Consent for Help Me Grow Services form, with an authorized signature from the parent or legal guardian or a witness signature.
- Document indicating date of birth.
- Social security card for each household member.
- Documentation in order to verify every visit made to the client, with an authorized signature from the parent or legal guardian.
- Release of Medical Records and Program Reports form, with an authorized signature from the parent or legal guardian.

Auditee's Response:

The first two conditions presented regarding the Help Me Grow program are similar to the 2002 and 2003 conditions. The steps that were recommended in 2002 were implemented in June of 2003 along with quarterly internal audits. 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. There seems to be a conflict in procedure regarding the necessity of social security cards for all household members. Federal procedure states that all household members should have a SS card, whereas, the Ohio Department of Health only requires that the child receiving services holds a SS card. Many of our clients are not US citizens and do not have a SS card. It is sometimes the case that the parents do not have social security cards for themselves and some other family members, but the child who is receiving services, does have a social security card in the file. We will continue to strive to comply with this condition to the best of our ability.

2004-3

**Department of Health & Human Services
Pass-through South Central Local School
and Ohio Department of Health
Help Me Grow – Part C (CFDA #84.181)
Help Me Grow – TANF and Teen Pregnancy Prevention (CFDA #93.558)
Abstinence Education Grant (CFDA #93.235)
Public Health Infrastructure (CFDA #93.283)**

Payroll Allocation

Recommendation:

I recommend that the allocation of payroll costs, pertaining to each federal program, be updated on a quarterly basis. By performing this procedure, the risk of incurring questioned costs will be significantly reduced.

Auditee's Response:

The 3rd condition regarding payroll allocation was an oversight by the fiscal officer. Payroll allocations and percentages will be reviewed and revised on a quarterly basis.

2004-4

**Department of Health & Human Services
Pass-through the Ohio Department of Health
Abstinence Education Grant (CFDA #93.235)**

Matching Funds

Recommendation:

I recommend that supporting documentation pertaining to the following 1) Volunteer Services, 2) Rental Space, 3) Teacher Time, 4) Classroom Space, and 5) Evaluation Services be obtained in order to comply with the guidelines established in the grant agreement with the funding source. By performing this procedure, the risk of incurring questioned costs will be significantly reduced.

Auditee's Response:

The final condition regarding the documentation of matching funds for the Abstinence program will be resolved by sending letters to all establishments who provide space for meetings. This will verify the fair market value for rental space. A letter will be sent to the Educational Service Center of Erie-Huron-Ottawa counties to establish an average teachers' salary to satisfy the match funds related to teacher's time in the classroom. Volunteer time has been determined to be \$15.39 per hour by the Governors Community Service Council. Volunteer snacks will be considered matching funds and will be determined by the actual cost of the snack. A local advertising firm allows some use of billboards at no cost, the match funds will be determined by the going rate of billboard sales. The evaluators' regular billing rate will be listed on his invoice along with his discounted rate that he applies to our program. The difference will reflect the match funding related to the evaluator's time.

If there are any questions regarding this plan, please call Bonita A. Barna, Fiscal Officer at (419) 668-1652 ext 257.

Sincerely yours,


Earl R. 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 9, 2005**