



**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

District Board of Health
Knox County
11660 Upper Gilchrist Road
Mount Vernon, Ohio 43050

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the District Board of Health, Knox County, Ohio (the District), as of and for the year ended December 31, 2019.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2019 and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the District Board of Health, Knox County as of December 31, 2019, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020

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Knox County District Board of Health
Knox County

*Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019*

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property Taxes	\$ 1,098,442	\$ -	\$ 1,098,442
Charges for Services	180,764	371,277	552,041
Intergovernmental:			
Subsidies	63,907	35,645	99,552
Grants	133,610	1,627,044	1,760,654
Fees	207,604	1,559,635	1,767,239
Miscellaneous	64,446	30,945	95,391
<i>Total Cash Receipts</i>	<u>1,748,773</u>	<u>3,624,546</u>	<u>5,373,319</u>
Cash Disbursements			
Current:			
Health:			
Personnel Expenses	1,081,808	2,430,373	3,512,181
Travel/Conference	11,086	31,689	42,775
Supplies and Materials	58,090	424,031	482,121
Equipment	17,211	81,448	98,659
Contract Services	225,991	595,800	821,791
Utilities	29,451	18,427	47,878
Other Expenses	138,012	163,071	301,083
Debt Service:			
Principal Retirement	113,000	-	113,000
Interest and Fiscal Charges	14,000	-	14,000
<i>Total Cash Disbursements</i>	<u>1,688,649</u>	<u>3,744,839</u>	<u>5,433,488</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	60,124	(120,293)	(60,169)
Other Financing Receipts (Disbursements)			
Transfers In	837,652	100,000	937,652
Transfers Out	(100,000)	(837,652)	(937,652)
Advances In	-	50,120	50,120
Advances Out	(50,120)	-	(50,120)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>687,532</u>	<u>(687,532)</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	747,656	(807,825)	(60,169)
<i>Fund Cash Balances, January 1</i>	<u>682,716</u>	<u>1,015,914</u>	<u>1,698,630</u>
Fund Cash Balances, December 31			
Restricted	-	200,818	200,818
Assigned	352,996	-	352,996
Unassigned	1,077,376	7,271	1,084,647
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,430,372</u>	<u>\$ 208,089</u>	<u>\$ 1,638,461</u>

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

Knox County District Board of Health

Knox County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the District Board of Health, Knox County, Ohio, (the District) as a body corporate and politic. A nine-member Board and a Health Commissioner govern the District. The Board is comprised of three members appointed by the City of Mount Vernon, five members appointed by the Health Advisory Council of Knox County and one alternate member appointed by the Health Licensing Council. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health related licenses and permits.

Public Entity Risk Pool

The District is a member of the Public Entities Pool of Ohio (the Pool), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to disbursement for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

Community Health Center Grant Fund This fund is used to provide medical, dental, and behavioral health services to those in the community. Services are provided with payments from Medicare, Medicaid, insurance or private pay on a sliding fee schedule for those who are of low income.

Knox County District Board of Health
Knox County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

Knox County District Board of Health
Knox County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Nonspendable The District classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019, follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,733,696	\$2,586,425	\$852,729
Special Revenue	4,477,135	3,724,546	(752,589)
Total	\$6,210,831	\$6,310,971	\$100,140

Knox County District Board of Health
Knox County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity (continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,097,878	\$1,837,017	\$260,861
Special Revenue	5,174,147	4,645,613	528,534
Total	\$7,272,025	\$6,482,630	\$789,395

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Knox County Treasurer is custodian for the District’s deposits. The County’s deposit and investment pool holds the District’s assets, valued at the Treasurer’s reported carrying amount.

Note 5 – Property Taxes

The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$1,098,442 in 2019. The financial statements present these amounts as property tax.

Note 6 – Interfund Activity

Transfers

Interfund transfers for the year ended December 31, 2019 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	
	General	Home Health
General	\$ 837,652	\$ 100,000
Home Health	-	837,652
Food Service	40,000	-
Private Water	8,000	-
RV Park/Camp	2,000	-
Community Health Center Grant	50,000	-
	\$ 937,652	\$ 937,652

The General Fund transfers to other funds were made to provide additional resources for current operations. The transfer from the Home Health Fund to the General Fund was approved by the Board of Health due to the closeout of operations for the Home Health Program. All transfers were made in compliance with the Ohio Revised Code.

Knox County District Board of Health
Knox County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Interfund Activity (continued)

Advances

Outstanding advances to the General fund at December 31, 2019 consisted of \$20,000 advanced to the Food Service Program Fund, \$20,000 advanced to the WIC Grant Fund, \$120 to the RV Park/Camp Fund, and \$10,000 to the Public Health Emergency Preparation Fund to provide working capital for operations or projects from the General Fund.

Note 7 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees. The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

<u>2019</u>	
Cash and investments	\$38,432,610
Actuarial liabilities	\$14,705,917

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The District’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2019.

Knox County District Board of Health
Knox County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4% during calendar year 2019.

Note 10 – Contingent Liabilities

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matters will not materially adversely affect the District’s financial condition.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Health Department Capital Lease

Capital lease outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Lease	\$ 237,000	3.53%

Knox County issued a 20-year bond issue on August 15, 2000, to fund the construction of the new health department building. The Knox County District Board of Health entered into a 20-year lease with the County which requires the District to pay the County yearly payments which match the yearly principal and interest on the bonds outstanding. In 2010, Knox County refinanced the bonds to obtain a lower interest rate.

The required remaining lease payments, including interest, at December 31, 2019 are as follows:

Year Ending	Building
December 31:	Lease
2020	\$ 126,480
2021	<u>124,800</u>
Total	251,280
Less Interest	<u>14,280</u>
Lease Principle	<u><u>\$ 237,000</u></u>

Knox County District Board of Health

Knox County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

DISTRICT BOARD OF HEALTH
KNOX COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	04210011WA1219, 04210011WA1320	\$292,578
Total U.S. DEPARTMENT OF AGRICULTURE			<u>292,578</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Public Safety</i>			
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	69A37519300004020OH0	27,214
<i>Total Highway Safety Cluster</i>			<u>27,214</u>
Total U.S. DEPARTMENT OF TRANSPORTATION			<u>27,214</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Department of Health</i>			
State Indoor Radon Grants	66.032	04510012IR1019	841
Total of U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			<u>841</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Programs</i>			
Health Center Program Cluster			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		691,157
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527		297,115
Total Health Center Program Cluster			<u>988,272</u>
Drug-Free Communities Support Program Grants	93.276		130,762
<i>Passed Through Ohio Department of Health</i>			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.074	04210012PH1019, 04210012PH1120	67,039
Prevention and Public Health Funds (PPHF)	93.758	04210014CC0418, 04210014CC0519	106,988
Maternal and Child Health Services Block Grant to the States	93.994	04210011MP0319, 04210011MP0420	73,227
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,366,288</u>
Total Expenditures of Federal Awards			<u>\$1,686,921</u>

The accompanying notes are an integral part of this schedule.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District Board of Health (the District) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

District Board of Health
Knox County
11660 Upper Gilchrist Road
Mount Vernon, Ohio 43050

To the Members of the Board of Health:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the District Board of Health, Knox County, (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we also noted the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

District Board of Health
Knox County
11660 Upper Gilchrist Road
Mount Vernon, Ohio 43050

To the Board of Health:

Report on Compliance for the Major Federal Program

We have audited the District Board of Health’s (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District Board of Health’s major federal program for the year ended December 31, 2019. The *Summary of Auditor’s Results* in the accompanying schedule of findings identifies the District’s major federal program.

Management’s Responsibility

The District’s Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to opine on the District’s compliance for the District’s major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States’ *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District’s major program. However, our audit does not provide a legal determination of the District’s compliance.

Basis for Qualified Opinion on Health Center Program Cluster

As described in Findings 2019-002 and 2019-003 in the accompanying schedule of findings, the District did not comply with requirements regarding following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-002	93.224/93.527	Health Center Program Cluster	Special Tests and Provisions
2019-003	93.224/93.527	Health Center Program Cluster	Procurement, Suspension & Debarment

Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Health Center Program Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Health Center Program Cluster* paragraph, the District Board of Health complied, in all material respects, with the requirements referred to above that could directly and materially affect its Health Center Program Cluster for the year ended December 31, 2019.

The District's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2019-002 and 2019-003.

The District's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020

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**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Adverse under GAAP, unmodified under the regulatory basis
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA#93.224 & 93.527 Health Center Program Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019
(continued)**

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

FINDING NUMBER 2019-001

Financial Statement Presentation – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board Statement (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB codification 1800.175-.176 (GASB 54 paragraphs 15-16) indicate the General Fund should report assigned fund balances for any encumbrances outstanding at fiscal year-end as well as amounts assigned from subsequent year appropriations, which would be equal to amount of subsequent year's appropriations that exceed the subsequent year's estimated receipts.

Lack or failure to provide all appropriate information to the compiler regarding approved amended appropriations and subsequent appropriations led to an overstatement of the General fund Assigned balance of \$524,737. This reclassification was applied to the audited financial statements.

In addition, modifications were applied to Note 3 of the Financial Statements as follows:

- General Fund Budgeted Receipts was understated by \$157,819 due to inaccurate amounts
- Special Revenue Appropriation Authority was understated by \$632,436 due to inaccurate appropriation amounts.
- Special Revenue Budgeted Receipts was understated by \$2,874 due to inaccurate amounts.

Failure to properly present financial statements and notes could result in material financial statement errors in the future.

We recommend the District implement effective control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements. This should include a review of Governmental Accounting Standards Board Statement (GASB) No. 54 to ensure the fund balances are appropriately classified. In addition, the District should ensure all amounts in the footnotes are correct and agree to either the financial statements or supporting documentation prior to filing the report with the Hinkle system.

Officials' Response

See corrective action plan

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019
(continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Sliding Fee Discount

Finding Number:	2019-002
CFDA Number and Title:	CFDA # 93.224 & 93.527 Heath Center Cluster
Federal Award Identification Number / Year:	N/A
Federal Agency:	U.S. Department of Health and Human Services
Compliance Requirement:	Special Tests and Provisions
Pass-Through Entity:	N/A
Repeat Finding from Prior Audit?	No
Prior Audit Finding Number:	N/A

Material Weakness and Noncompliance

42 CFR 51c.303(f) requires the District to have prepared a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient's ability to pay.

Additionally, **42 CFR 51c.303(g)(2)** requires the District to secure from patients payments for services in accordance with the schedule of fees and discounts required by paragraph (f) of this section.

The District entered the 2019 sliding fee scale amounts into the eClinical system in February 2019, the eClinical system reverted to the 2018 sliding fee scale amounts at some point during early 2019. It was determined that four patients were charged a higher amount than should have been, due to the eClinical system reverting to the 2018 Sliding fee scale amounts.

It was also noted that one patient was charged at the correct sliding fee scale rate but was undercharged by \$14.50, due to an anomaly within the eClinical system.

Failure to ensure that the discount rate is appropriately used may result in charging an incorrect fee, which may result in an under/overstatement of revenue.

The District should put into place an additional step to ensure the Sliding Fee discount is appropriately calculating within the eClinical system each year for determining the correct Sliding Fee Discount for Patients; as well as ensuring that the discounted rates are accurate for patients.

Officials' Response

See corrective action plan.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019
(continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Procurement

Finding Number:	2019-003
CFDA Number and Title:	CFDA # 93.224 & 93.527 Heath Center Cluster
Federal Award Identification Number / Year:	N/A
Federal Agency:	U.S. Department of Health and Human Services
Compliance Requirement:	Procurement, Suspension, and Debarment Requirement
Pass-Through Entity:	N/A
Repeat Finding from Prior Audit?	No
Prior Audit Finding Number:	N/A

Material Weakness and Noncompliance

45 CFR § 75.329(b) states: "Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

Additionally **45 CFR § 75.329(d)** states: "Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply: (1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical; (2) Proposals must be solicited from an adequate number of qualified sources; (3) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients; (4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and (5) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort."

It was noted that the District did not maintain support for small purchases between \$3,501 - \$5,000. The District policy does not state that the employees need to maintain documentation only the ability to demonstrate the comparison on the employee's agency history. History was not available at the time of the audit to demonstrate completion of the process for the District policy or per above CFR requirements.

It was also noted that the District did not complete Procurement by competitive proposal steps over one vendor during the audit period.

Lack of maintaining documentation could result in the process not being properly completed by the District and a lack of completing competitive proposal steps with vendors could result in non-compliance of Federal regulations and could jeopardize the Districts future federal funding.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019
(continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)

Procurement (continued)

We recommend the District update its procurement policy to indicate documentation be maintained for purchase cost comparisons. We also recommend the District complete competitive proposal steps for vendors according to Federal regulations and the Districts procurement policy.

Officials' Response

See corrective action plan.

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Knox Public Health

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) December 31, 2019

- Finding Number:** 2019-001
- Planned Corrective Action:** The District plans on implementing effective control procedures to ensure all monies are properly recorded on the financial statements. The District will also implement additional checks to ensure the converter is provided all necessary documentation to complete the financial statements; as well as ensuring the financials and notes are correctly calculated.
- Anticipated Completion Date:** When filing the next financial statements and footnotes.
- Responsible Contact Person:** Julie Miller and Zach Green
-
- Finding Number:** 2019-002
- Planned Corrective Action:** The District will implement checks and balances procedures over the Sliding fee scale of quarterly internal audits. In addition, we are working with our eCW consultant to also assist our agency moving forward.
- Anticipated Completion Date:** Effective immediately
- Responsible Contact Person:** Julie Miller and Zach Green
-
- Finding Number:** 2019-003
- Planned Corrective Action:** The District plans on implementing effective control procedures to ensure procurement steps for competitive proposals for vendors is completed according to Federal regulations and the Districts procurement policy.
- Anticipated Completion Date:** Effective immediately
- Responsible Contact Person:** Julie Miller and Zach Green



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
December 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	AU-C Section 210 paragraph .06 preparation and fair presentation of financial statements and (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions	Not Corrected	Reissued Finding as 2019-001, See Corrective Action Plan



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Located inside Knox Public Health

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OHIO AUDITOR OF STATE KEITH FABER



KNOX COUNTY DISTRICT BOARD OF HEALTH

KNOX COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/10/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov