
FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY

FINANCIAL STATEMENTS

DECEMBER 31, 2004

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

*** WSSR ***

213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Fairfield Department of Health, Fairfield County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2004 through 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.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 20, 2005

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**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY**

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Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA

** WSSR **

Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net

May 18, 2005

Fairfield Department of Health
Fairfield County

Independent Auditor's Report

We have audited the accompanying financial statement of the Fairfield Department of Health, Fairfield County, Ohio, (the Health Department) as of and for the year ended December 31, 2004. This financial statement is the responsibility of the Health Department's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Health Department prepares these 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 we 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, we presume they are material.

In our 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 Health Department as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Fairfield Department of Health, Fairfield County, Ohio, as of December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2005, on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The report describes the scope of our 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*. You should read it in conjunction with this report in assessing the results of our audits.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Total (Memorandum Only)
CASH RECEIPTS			
Taxes	\$ 627,683	\$ 0	\$ 627,683
Intergovernmental	42,500	1,487,708	1,530,208
Charges for Services	24,916	10,387	35,303
Licenses, Fees and Permits	416,913	532,635	949,548
Donations	0	841	841
Other Receipts	0	162,777	162,777
TOTAL CASH RECEIPTS	1,112,012	2,194,348	3,306,360
CASH DISBURSEMENTS			
Salaries	606,273	1,257,799	1,864,072
Supplies	38,630	155,994	194,624
Remittances to State	61,341	93,467	154,808
Equipment	15,404	61,119	76,523
Contracts - Repair	21,070	610	21,680
Contracts - Services	106,209	426,425	532,634
Utilities	18,854	22,287	41,141
Travel	7,093	21,852	28,945
Rentals	0	1,446	1,446
Advertising and Printing	7,115	17,046	24,161
Public Employee's Retirement	81,333	174,439	255,772
Worker's Compensation	7,254	16,530	23,784
Capital Outlay	0	2,836	2,836
Health Insurance	150,749	242,805	393,554
Medicare	8,147	16,018	24,165
Other Expenses	0	10,406	10,406
TOTAL DISBURSEMENTS	1,129,472	2,521,079	3,650,551
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	(17,460)	(326,731)	(344,191)
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Reimbursements	26,366	123,015	149,381
Refunds	5,925	2,939	8,864
Transfers - In	0	12,285	12,285
Advances - In	72,943	32,868	105,811
Transfers - Out	(12,285)	0	(12,285)
Advances - Out	(73,168)	(32,643)	(105,811)
Other Financing Receipts	11,342	72	11,414
Other Financing Disbursements	0	0	0
TOTAL OTHER FINANCING RECEIPTS/(DISBURSEMENTS)	31,123	138,536	169,659
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	13,663	(188,195)	(174,532)
FUND CASH BALANCES, JANUARY 1	25,484	489,597	515,081
FUND CASH BALANCES, DECEMBER 31	\$ 39,147	\$ 301,402	\$ 340,549
RESERVES FOR ENCUMBRANCES, DECEMBER 31	\$ 1,206	\$ 36,100	\$ 37,306

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

● **Description of the Entity**

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

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

● **Basis of Accounting**

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

● **Cash**

As required by Ohio Revised Code, the Fairfield County Treasurer is custodian for the Health Department's cash. The Health Department's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. The Health Department's portion of this pool for the year ended December 31, 2004 is \$340,549. The disclosures of the County's deposits and investments at December 31, 2004, are made in the County's Comprehensive Annual Financial Report.

● **Fund Accounting**

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fund Accounting (Continued)**

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

- **Budgetary Process**

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

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

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

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

A summary of 2004 budgetary activity appears in Note 2.

- **Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

- **Accumulated Leave**

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

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

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 follows (Advances-in and Advances-out, were not included in budgeted or actual amounts):

<u>Fund Type</u>	2004 Budgeted vs. Actual Receipts		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$1,145,619	\$1,155,645	\$ 10,026
Special Revenue	<u>2,361,247</u>	<u>2,332,659</u>	<u>(28,588)</u>
Total	<u>\$3,506,866</u>	<u>\$3,488,304</u>	<u>\$ (18,562)</u>

<u>Fund Type</u>	2004 Budgeted vs. Actual Budgetary Basis Expenditures		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$1,143,627	\$1,142,963	\$ 664
Special Revenue	<u>2,668,605</u>	<u>2,557,179</u>	<u>111,426</u>
Total	<u>\$3,812,232</u>	<u>\$3,700,142</u>	<u>\$ 112,090</u>

3. FUNDING

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

4. RETIREMENT SYSTEM

The Health Department's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including 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. For 2004, PER's members contributed 8.5% of their gross salaries. The Health Department contributed an amount equal to 13.55% of participants' gross salaries. The Health Department has paid all contributions required through December 31, 2004.

5. RISK MANAGEMENT

- **Risk Pool Membership**

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

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

5. RISK MANAGEMENT (Continued)

• **Casualty Coverage**

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

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

• **Property Coverage**

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

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

• **Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 27,792,223	\$ 23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained Earnings	<u>\$ 16,000,923</u>	<u>\$ 14,559,524</u>
 <u>Property Coverage</u>		
Assets	\$ 6,791,060	\$ 6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained Earnings	<u>\$ 6,040,104</u>	<u>\$ 5,392,670</u>

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

6. JOINTLY GOVERNED ORGANIZATIONS

• **FairCATS**

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

• **Southeastern Ohio Regional Tobacco Coalition**

This coalition is a regional group of health districts working on an approach to tobacco control. The coalition is made up of Fairfield Department of Health, Licking County Health Department, Perry County General Health District, Ross County Health District, Vinton County General Health District and Newark City Health Department. The Fairfield Department of Health was approved by the board on June 13, 2002, to be the lead agency for the Southeastern Ohio Regional Tobacco Coalition. As the lead agency, the Fairfield Department of Health applies for the grant, receives the grant monies and distributes monies to other health districts to carry out the services relating to tobacco control. The various boards of health provide in-kind and/or cash match to the program such as salaries, fringes, supplies, travel, space, training and advertising. Contracts are entered in to with the various participating health districts detailing the operations. The contracts remain in force until the Ohio Tobacco Foundation terminates funding activities and services provided by the coalition. The participating health district provides the applicable services and submits the required supporting documentation for those services to the Health Department.

The Health Department reimburses the participating health district based on the supporting documentation received. The Health Department has no equity interest and no debt obligations, nor is the existence of this organization dependent upon members from the Health Department.

7. CONTINGENT LIABILITIES

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

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Health			
Special Supplemental Nutrition Program for Women, Infants and Children	2310011CL04/ 2310011CL05	10.557	\$ 245,611
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Ohio Department of Health			
Family Planning Services	2310011XX03/ 2310011XX04	93.217	99,412
Immunization Grants	2310012AZ04	93.268	54,329
Centers for Disease Control and Prevention- Investigation and Technical Assistance	2310012B104/ 2310012B105	93.283	174,874
Maternal and Child Health Services Block Grant	2310011MC04/ 2310011MC05	93.994	103,382
 Passed Through Fairfield County Family, Adult and Children First Council			
Temporary Assistance for Needy Families		93.658	<u>86,125</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			518,122
 U.S. DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education			
Help Me Grow	2310021EG04	84.181	105,415
 U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Ohio Department of Public Safety			
State and Community Highway Safety	23000HD0	20.600	<u>45,126</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 914,274</u>

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

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

1. Significant Accounting Policies

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

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

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Jerry B. Whited, CPA
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**** WSSR ****

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May 18, 2005

Fairfield Department of Health
Fairfield County

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

We have audited the financial statement of Fairfield Department of Health (the Health Department) as of and for the year ended December 31, 2004 and have issued our report thereon dated May 18, 2005 wherein we noted the Health Department followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Health Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2004-001 and 2004-002 to be material weaknesses. We also noted another matter involving the internal control over financial reporting, which we have reported to management of the Health Department in a separate letter dated May 18, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

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May 18, 2005

Fairfield Department of Health
Fairfield County

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

Compliance

We have audited the compliance of Fairfield Department of Health (the Health Department) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Health Department's management. Our responsibility is to express an opinion on the Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Health Department's compliance with those requirements.

In our opinion, the Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

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

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

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004**

Type of Financial Statement Opinion	Qualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Special Supplemental Nutrition Program for Women, Infants and Children, CFDA#10.557. Centers for Disease Control and Prevention-Investigation and Technical Assistance, CFDA#93.283 Family Planning-Title X CFDA#93.217
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

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

**Finding Number 2004-001
Sliding Fee Determination**

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

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 2004**

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

**Finding Number 2004-001
Sliding Fee Determination (Continued)**

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

**Finding Number 2004-002
Patient Encounter Forms**

A copy of the pre-numbered, pre-printed patient encounter form is not being kept in numerical order for future reference and audit. One copy is given to Steele Management, Inc. (a third-party administrator for medical claims processing) and another copy is put into a patient's file, however, a third copy needs to be kept in numerical order to establish completeness and account for all encounter forms used, unused, voided, etc.

The Health Department should issue patient encounter forms in numerical order and store them in numerical order to account for all forms used, unused, voided, etc. independent of the copy kept in a patient's file or the copy given to the third party administrator for processing. Also, as recommended and implemented in prior audits, physician appointment lists should still be maintained and reflect any changes, such as cancellations, walk-ins and no shows. Every patient on the physician's appointment list should have a corresponding patient billing encounter form. The number of patients on the physician's appointment lists should be reconciled to the number of patient billing encounter forms at the end of each day. The reconciliation should be reviewed and approved by an appropriate supervisor and such approval should be evidenced.

3. Findings and Questioned Costs for Federal Awards

None

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 2004**

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

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

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

Status: Uncorrected. Although some improvement was seen towards the support documentation such as a tax return or pay stub being kept in a patient's file, a sliding fee application form still has not been developed.

**Finding Number 2003-002
Reconciliation of SMI Payments**

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

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

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

Status: Corrected. The Health Department has instituted procedures to help reconcile payments to the Health Department to receipts posted to the Health Department's applicable funds. Health Department personnel receive and post a list of mail-in receipts now before remitting payment to Steele management for processing and subsequent pay-in form SMI is reconciled to the list of mail-in receipts.

**Finding Number 2003-003
SAS 70**

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

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY
STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004**

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

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

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

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

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

Status: Partially Corrected. Fairfield Department of Health decided not to require Steele Management, Inc. to have a SAS 70 audit conducted but the Health Department has instituted daily receipt reconciliation procedures and the Director of Operations, a newly-created position, performs follow-up on selected and significant (or unusual) uncollected billings.

Although we did not repeat part of the recommendation concerning the SAS 70 audit, we believe that a SAS 70 audit is preferable to using only internal measures to obtain an appropriate level of assurance that medical claims are being processed in conformance with the contract.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**FAIRFIELD DEPARTMENT OF HEALTH
FAIRFIELD COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 5, 2005**