



**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

Brown County District Board of Health
Brown County
852 Mt. Orab Pike, Suite #3
Georgetown, Ohio 45121

To the District Board:

We have audited the accompanying financial statements of the Brown County District Board of Health, Brown County, Ohio (the Board), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements 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 discussed in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Board as of December 31, 2000 and 1999, 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 June 27, 2001 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Brown County District Board of Health
Brown County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the Management, the Board and other officials authorized to receive this report under § 117.26, of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 27, 2001

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Totals (Memorandum Only)
Cash receipts:			
Subdivisions	\$84,650	\$0	\$84,650
Intergovernmental	76,386		76,386
Fees, licenses, and permits	229,466	35,185	264,651
Total Cash Receipts	390,502	35,185	425,687
Cash disbursements:			
Current:			
Salaries	194,357	47,408	241,765
Supplies	13,996		13,996
Personal Services		10,562	10,562
Contract (Repairs & Services)	2,637	131	2,768
Rent	19,880		19,880
State Remittances	62,683	5,615	68,298
Travel and Expenses	16,453		16,453
Public Employee's Retirement	30,766		30,766
Workers Compensation	878		878
Insurance	39,383		39,383
Other	13,954		13,954
Total Cash Disbursements	394,987	63,716	458,703
Total receipts over/(under) disbursements	(4,485)	(28,531)	(33,016)
Other financing sources/(uses):			
Other financing source	3,355		3,355
Other financing use		(3,355)	(3,355)
Excess of receipts over/(under) disbursements and other financing sources/(uses)	(1,130)	(31,886)	(33,016)
Fund cash balances, January 1	13,103	32,355	45,458
Fund cash balances, December 31	\$11,973	\$469	\$12,442
Reserve for encumbrances, December 31	\$6,545	\$0	\$6,545

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

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Subdivisions	\$65,000	\$0	\$65,000
Intergovernmental	60,531		60,531
Fees, licenses, and permits	<u>182,683</u>	<u>37,025</u>	<u>219,708</u>
Total Cash Receipts	<u>308,214</u>	<u>37,025</u>	<u>345,239</u>
Cash disbursements:			
Current:			
Salaries	210,276	34,656	244,932
Supplies	17,521	2,514	20,035
Contract (Repairs & Services)	115	543	658
Rent	14,200		14,200
State Remittances	63,010	5,390	68,400
Travel and Expenses	17,716		17,716
Public Employee's Retirement	32,493		32,493
Workers Compensation	3,845		3,845
Insurance	42,464		42,464
Other	<u>10,524</u>		<u>10,524</u>
Total Cash Disbursements	<u>412,164</u>	<u>43,103</u>	<u>455,267</u>
Total receipts over/(under) disbursements	(103,950)	(6,078)	(110,028)
Other financing sources/(uses):			
Other financing source	33,305		33,305
Other financing use		<u>(33,000)</u>	<u>(33,000)</u>
Excess of receipts over/(under) disbursements and other financing sources/(uses)	(70,645)	(39,078)	(109,723)
Fund cash balances, January 1	<u>83,748</u>	<u>71,433</u>	<u>155,181</u>
Fund cash balances, December 31	<u><u>\$13,103</u></u>	<u><u>\$32,355</u></u>	<u><u>\$45,458</u></u>
Reserve for encumbrances, December 31	<u><u>\$2,901</u></u>	<u><u>\$0</u></u>	<u><u>\$2,901</u></u>

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

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Brown County District Board of Health, Brown County, Ohio (the Board) 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 Board operates under a six-member Board selected by the Brown County Health District Advisory Council, which consists of representatives of the Villages, Townships, and Brown County Commissioners. The Board provides general health services. The County Auditor serves as fiscal agent for the Board and is responsible for fiscal control of the resources of the Board.

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

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 disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

As required by Ohio Revised Code, Brown County Auditor is the fiscal agent of the Board. The Board's cash is held and invested by the Brown County Treasurer, who acts as custodian for Board monies. The Board's assets are held in the County's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

D. Fund Accounting

The Board uses fund accounting to segregate cash deposits that are restricted as to use. The Board classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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 Board had the following significant Special Revenue Fund:

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Food Service - This fund receives receipts for licenses for food service operations.

E. Budgetary Process

The Ohio Revised Code requires that health funds be budgeted annually.

1. Budget

The Board is required to adopt an itemized appropriation measure on or before the first Monday in April for the succeeding fiscal year. This appropriation measure, together with an estimate in itemized form, of the several sources of revenue available to the Board is certified to the Brown County Auditor. As Secretary of the Budget Commission, the Brown County Auditor submits the appropriation measure to the County Budget Commission for its approval.

2. Estimated Resources

The County Budget Commission certifies its actions to the Board by September 1. As part of this certification, the Board receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the proceeding year. Prior to December 31, the Board must revise its budget so that the total estimated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown in Note 2 do not include January 1, 2000 or January 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period of January 1 to December 31. The Board may amend the appropriation measure during the year.

4. Encumbrances

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Board did not encumber certain commitments required by Ohio law. However, a review was performed to determine the amount of additional encumbrances outstanding at year end which were not recorded. These additional encumbrances were added to the financial statements as reserves.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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 Board.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Brown County Treasurer maintains a cash and investment pool used by all of the County's funds, including those of the Board. The Ohio Revised Code prescribes allowable deposits and investments. The District's carrying amount of cash on deposit with the County at December 31, 2000 and 1999, was \$12,442 and \$45,458, respectively. The Brown County Treasurer is responsible for maintaining adequate depository collateral for all funds in Brown County's pooled cash and investments.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 485,650	\$ 393,857	\$ (91,793)
Special Revenue	49,746	35,185	(14,561)
Total	<u>\$ 535,396</u>	<u>\$ 429,042</u>	<u>\$ (106,354)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 487,291	\$ 401,532	\$ 85,759
Special Revenue	75,274	67,071	8,203
Total	<u>\$ 562,565</u>	<u>\$ 468,603</u>	<u>\$ 93,962</u>

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 368,000	\$ 341,519	\$ (26,481)
Special Revenue	51,530	37,025	(14,505)
Total	<u>\$ 419,530</u>	<u>\$ 378,544</u>	<u>\$ (40,986)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 427,463	\$ 415,065	\$ 12,398
Special Revenue	80,900	76,103	4,797
Total	<u>\$ 508,363</u>	<u>\$ 491,168</u>	<u>\$ 17,195</u>

4. SUBDIVISION REVENUE

The aggregate annual appropriation, as fixed by the County Budget Commission, less the amounts available to the Board from several sources of revenue, including the estimated balance from the previous appropriation, is appropriated, by the County Auditor, among the townships and municipal corporations composing the Board on the basis of taxable valuations in such townships and municipal corporations. The County Auditor assesses each subdivision their share of the operating cost, which is calculated by the Board, through property tax collections. When the County Auditor disburses property tax to the subdivision, the appropriate deduction is made on the subdivision settlement and transmitted to the Board.

5. RETIREMENT SYSTEMS

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 health care, 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 2000 and 1999 PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% of participants' gross salaries for 2000. The Board has paid all contributions required through December 31, 2000.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RISK MANAGEMENT

The Brown County Commissioners provide the Board with commercial insurance for the following risk:

- Commercial general liability

The Board has obtained commercial insurance for the following risks:

- Professional liability
- Public Employee Dishonesty

The Board, through the Brown County Commissioners, also provides health insurance coverage to full-time employees through a private carrier

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250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Brown County District Board of Health
Brown County
852 Mt. Orab Pike, Suite #3
Georgetown, Ohio 45121

To the District Board:

We have audited the accompanying financial statements of the Brown County District Board of Health, Brown County, Ohio (the Board), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 27, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the Board'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-60408-002. We also noted immaterial instances of noncompliance that we have reported to management of the Board in a separate letter dated June 27, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 judgement, could adversely affect the Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-60408-001 through 2000-60408-003.

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. 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

**Internal Control Over Financial Reporting
(Continued)**

are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are a material weakness. We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to management of the Board in a separate letter dated June 27, 2001.

This report is intended for the information and use of management, and the Board, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 27, 2001

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-60408-001

System Access Controls - Reportable Condition

The Brown County Auditor is the fiscal agent for the Brown County District Board of Health. The Brown County 1999 audit report disclosed management should periodically confirm their users' computer access rights to data and applications. The failure to do so can leave the County vulnerable to theft, loss, and/or malicious tampering of system resources.

The County Auditor and Treasurer did not perform a periodic confirmation of the appropriateness of user access rights within their departments despite the following:

1. This has been a repeated comment in previous management letters to the County.
2. The County's technical support agreement with their computer vendor, MacDonald, Friedberg, Carr, and Dixon (MFCD), stated that one County employee was to be made primarily responsible for technical supervision of the County's computer system. This was never acted upon by the County.

On March 5, 1999, the County experienced a system crash. During our testing, in March 2000, we determined that when the system was restored the system level access controls were not properly reconfigured. Specifically, user profiles were not assigned mandatory menus, which restrict access to specified menus and options. Without mandatory menus, users could access any application on the system through the command line. In addition, resource (library) level security was not enabled, therefore, users could make changes to data with no restrictions. This lack of system security even included the public terminals, which are normally used by the general public for "inquiry" access only to the County's data. Since this situation occurred, we performed extensive additional substantive testing of the County's financial records to gain assurance that they fairly represented the County's financial condition.

Per discussion with County officials and representatives from MFCD, this situation has been remedied and user profiles are now assigned mandatory menus. However, the underlying problem of having no County employee assigned the responsibility to supervise the system still exists. This lack of control gives no assurance that a repeat of this situation or a similar situation could not occur in the future.

We recommend the Brown County District Board of Health assure the County assigns a person to supervise the routine day-to-day operation of the County's computer system. The County should work out an agreement with their vendor to provide this person the proper training to handle this job. This person would work with the vendor to monitor that the computer system is functioning as County management intended. In addition, this person would also be in charge of periodically reviewing users' access rights to verify they are appropriate based upon the users' current job duties.

FINDING NUMBER 2000-60408-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments at December 31, 1999 and 2000 for the General Fund for \$1,260 and \$2,320, respectively. The financial statements have been adjusted to reflect these additional amounts as reserves for encumbrances. Additionally, prior certification was not obtained for 18% of the vouchers reviewed, and neither of the two exceptions provided above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Board obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2000-60408-003

Reportable Condition - License, Fees and Permits Receipts

During our review of license, fees and permit receipts the following internal control deficiencies were noted:

- The Board of Health failed to maintain enough detail to allow for a cross-reference from the birth and/or death certificates purchased to the related duplicate receipt. This procedure weakens internal controls over the receipt cycle and could lead to errors in collections or in accounting for collections;
- We found the Board does not use pre-numbered birth and/or death certificates, septic permits, or plumbing permits. The Board numbers new birth and death certificates at the point when they are received from the County hospital. The Board manually numbers all septic and plumbing permits when they are issued. These practices limit the accountability and control over receipt collections and could lead to improper posting and/or to fraudulent activities without a control in place to require all licenses, permits, and certificates to be accounted for in sequential order;

FINDING NUMBER 2000-60408-003 (Continued)

- The Board of Health maintains a subsidiary receipt journal that contains a breakdown of receipts that make up the Board's General Fund. This receipt journal does not contain receipts posted to the Board of Health's Special Revenue Funds. Not posting all receipts to the Board's receipt journal could lead to improperly accounting for all collections. The Board should track all receipts and compare the total collections with receipts posted by the County Auditor, on behalf of the Board of Health;
- The general receipt books were not maintained in sequential order and some receipts were found to be missing at the end of a receipt book; and
- License, fees and permit receipts were not always deposited with Board's Administrative Assistant within 24 hours of receipt.

However, we were able to gain assurance by expanding our testing and applying additional procedures, such as scanning all birth and death certificates.

To help strengthen controls over these receipts, we recommend the following application controls be implemented:

- The Board place the number of the birth or death certificate being obtained and/or the name of the person as listed on the birth or death certificate, on the duplicate receipt issued for the payment of the certificate;
- The Board inquire with their vendors about purchasing pre-numbered, licenses, permits and certificates;
- The Board maintain a subsidiary receipt journal, documenting all fund receipts collected by the Board of Health. If implemented, this process would add a cross check against the County Auditor that all of the Board of Health's collections have been accounted for;
- All receipt books should be completed and maintained in sequential order.
- All employees should deposit collections with the Board of Health's Administrative Assistant daily.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

BROWN COUNTY DISTRICT BOARD OF HEALTH

BROWN 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 24, 2001**