



**Auditor of State  
Betty Montgomery**



**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

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Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Zanesville – Muskingum County General Health District  
Muskingum County  
205 North Seventh Street  
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited the accompanying financial statement of the Zanesville - Muskingum County General Health District, Muskingum County, Ohio (the District), as of and for the year ended December 31, 2002. This financial statement is the responsibility of the District'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 discussed in Note 1, the District prepares its financial statement 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 statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the District as of December 31, 2002, 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 December 18, 2003, 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 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.

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

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

**Betty Montgomery**  
Auditor of State

December 18, 2003

**ZANESVILLE - MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Federal awards	\$0	\$344,419	\$0	\$344,419
Intergovernmental	1,050,023	202,210		1,252,233
Inspection fees	15,197			15,197
Permits	187,291	30,801		218,092
Other fees	481,672	197,977		679,649
Licenses and fines	34,092			34,092
Registrations	17,565			17,565
Contractual services	428,933	129,764		558,697
Other receipts	26,285	40,176	1,172,775	1,239,236
<b>Total Cash Receipts</b>	<u>2,241,058</u>	<u>945,347</u>	<u>1,172,775</u>	<u>4,359,180</u>
<b>Cash Disbursements:</b>				
Salaries	1,774,886	40,492		1,815,378
Supplies	137,618	85,400		223,018
Remittances to State	40,778	26,969		67,747
Equipment	18,238			18,238
Contracts - Repair	191,836			191,836
Contracts - Services		82,399		82,399
Rentals	113,941			113,941
Travel	49,099	5,138		54,237
Insurance	335,865			335,865
Staff Training / Development	13,777			13,777
Advertising and printing	5,919	27,358		33,277
Public employee's retirement	246,998	5,944		252,942
Worker's compensation	8,772	384		9,156
Unemployment compensation	1,320			1,320
Salary and Insurance Reimbursements		485,683		485,683
Other	161,056	49,740	1,425,771	1,636,567
<b>Total Cash Disbursements</b>	<u>3,100,103</u>	<u>809,507</u>	<u>1,425,771</u>	<u>5,335,381</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(859,045)</u>	<u>135,840</u>	<u>(252,996)</u>	<u>(976,201)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	6,818	44,766		51,584
Advances-In	10,000	10,000		20,000
Transfers-Out		(51,584)		(51,584)
Advances-Out	(10,000)	(10,000)		(20,000)
Salary and Insurance Reimbursements	700,397			700,397
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>707,215</u>	<u>(6,818)</u>	<u>0</u>	<u>700,397</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(151,830)</u>	<u>129,022</u>	<u>(252,996)</u>	<u>(275,804)</u>
<b>Fund Cash Balances, January 1 (restated)</b>	<u>396,247</u>	<u>241,163</u>	<u>545,987</u>	<u>1,183,397</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$244,417</b></u>	<u><b>\$370,185</b></u>	<u><b>\$292,991</b></u>	<u><b>\$907,593</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$1,541</b></u>	<u><b>\$7,429</b></u>	<u><b>\$4,942</b></u>	<u><b>\$13,912</b></u>

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

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**ZANESVILLE - MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Zanesville – Muskingum County General Health District, Muskingum County (the District), 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 District is directed by a seven-member Board and a Health Commissioner. Three Board members are appointed by Zanesville City Council, three are appointed by the District Advisory Council and one is appointed by the Licensing Council. The District Advisory Council is made up of the president of the Board of County Commissioners, the chief executive of each municipal corporation not constituting a city health district and chairman of the Board of Trustees of each Township. Services provided by the District include medical clinics, dental service, communicable disease investigations, immunization clinics, various inspections, public health nursing services, issuance of various licenses and permits, and other related services.

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

The District serves as the fiscal agent for the Muskingum Family & Children First Council, but is not financially accountable for their operations. Accordingly, the activity of the Muskingum Family & Children First Council is presented as an agency fund in the District's financial statement. Additional information concerning the Council is presented in Note 9.

**B. 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.

**C. Cash**

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District 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 restricted by law or contract.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**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 District had the following significant Special Revenue Funds:

*Food Service Fund* – This fund is used to account for income from licenses sold to residents for food service operations.

*Dental Sealant Fund* – This fund is used to account for receipts from dental services provided to students within the City and/or County schools.

*Child and Family Health Services Fund* – This fund receives state grant money to provide supplemental prenatal care programs as an adjunct to good health care to low-income persons in critical periods of growth and development.

*Cardiovascular Fund* – This fund receives federal grant money to be used for preventative health service programs for activities to achieve improvements in cardiovascular health.

*Pro-Muskingum Fund* – This fund receives contract revenue and donations to be used for a variety of community enhancement initiatives.

**3. Fiduciary Funds (Agency Funds)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the District is acting in an agency capacity. The District had the following significant Fiduciary Fund:

*Muskingum Family & Children First Council Fund* – The Zanesville – Muskingum County General Health District services as the fiscal agent and administrative agent for the Muskingum Family & Children First Council. These Council funds receive federal, state and local monies to assist eligible families by providing and promoting various types of public assistance.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

An appropriation measure is adopted by the Board on or before the first Monday of April in each year for the period January 1 to December 31 of the following year. The appropriation measure, together with an itemized estimate of the sources of revenue available to the District for the next fiscal year, is submitted to the County Auditor, who in turn submits it to the County Budget Commission.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**1. Appropriations (Continued)**

The County Budget Commission reviews the appropriation measure and may reduce any item in the appropriation measure, but may not increase any item or the aggregate of all items in the appropriation measure.

The appropriation measure, as amended by the County Budget Commission, controls expenditures by the District for the period January 1 to December 31.

The Board may, by resolution, transfer funds from one item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to the availability of funds and to the approval of the County Budget Commission.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2002 budgetary activity appears in Note 2.

**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. 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 District's basis of accounting.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,999,541	\$2,948,273	(\$51,268)
Special Revenue	1,056,384	990,113	(66,271)
Total	\$4,055,925	\$3,938,386	(\$117,539)

  

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,124,266	\$3,101,644	\$22,622
Special Revenue	1,208,350	868,520	339,830
Total	\$4,332,616	\$3,970,164	\$362,452

**3. INTERGOVERNMENTAL FUNDING**

The District receives receipts from two, 1/2 mill levies authorized by the Board of County Commissioners, as a special taxing authority under Ohio Revised Code § 3709.29. One levy will be collected through 2008, while the other will run through 2004.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**5. RETIREMENT SYSTEM**

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002  
(Continued)**

**5. RETIREMENT SYSTEM (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

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 may assess supplemental premiums. The following risks are covered by the Pool:

- Legal Liability for Third Party Claims;
- Employee Benefits Liability;
- Automobile Liability;
- Wrongful Acts;
- Medical Expenses;
- Medical Malpractice;
- Stop Gap;
- Public Health Department;
- Pollution Liability.

The District provides health and dental insurance to full-time employees through a limited risk health insurance program that is maintained by Muskingum County. Premiums are paid to a third party, Coresource, Inc. The claims are processed and monitored by a County insurance administrator in conjunction with the third party administrator.

The District also provides vision and life insurance to full-time employees through a private carrier.

**7. RISK POOL MEMBERSHIP**

The District 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.

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 \$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.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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

PEP'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:

<u>Casualty Coverage</u>	<u>2002</u>
Assets	\$20,174,977
Liabilities	(8,550,749)
Retained earnings	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2002</u>
Assets	\$2,565,408
Liabilities	(655,318)
Retained earnings	<u>\$1,910,090</u>

**8. CONTINGENT LIABILITIES**

Management is not aware of any pending litigation against the District.

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.

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Muskingum Family & Children First Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is comprised of the following members: Director of the Zanesville – Muskingum County General Health District, Superintendent of Zanesville City School District, Superintendent of the Muskingum County Educational Service Center, Director of the ADAMH Board, Director of the Muskingum County Department of Job and Family Services, Director of the Muskingum County Children Services Board, a United Way representative, an Eastside Community Services representative, a Zanesville Civic League representative, a Behavior Health representative, a county commissioner, representatives from the public sector, and a representative from a local hospital. Continued existence of the Council is not dependent on the District's continued financial participation, no equity interest exists, and no debt is outstanding.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002  
(Continued)**

**10. PRIOR PERIOD RESTATEMENT**

For the year ended December 31, 2001, the following adjustments were necessary based upon more accurate information becoming available concerning the proper classification of fiduciary fund activity.

Fund Type	Ending Balance at December 31, 2001	Restatement Amount	Restated Balance December 31, 2001
General Fund	\$380,247	\$16,000	\$396,247
Fiduciary Fund	\$561,987	\$(16,000)	\$545,987
Total	\$942,234	\$0	\$942,234

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Zanesville - Muskingum County General Health District  
Muskingum County  
205 North Seventh Street  
Zanesville, Ohio 43701

To the Members of the Board:

We have audited the accompanying financial statement of the Zanesville - Muskingum County General Health District, Muskingum County, Ohio (the District), as of and for the year ended December 31, 2002, and have issued our report thereon dated December 18, 2003. 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 District's financial statement is 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 18, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District'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 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 judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004.

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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 are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2003.

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

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

**Betty Montgomery**  
Auditor of State

December 18, 2003

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Reportable Condition – Accounting for Numerical Sequence of Bills – Clinic Department**

At the start of each business day, an estimate of the number of billing forms to be needed for the day was made and pre-numbered billing forms were then generated directly from the Clinic's billing system for each type of service provided, including dental, immunization, pediatric, adult and communicable disease services. As each service was provided, the billing form was completed by the provider and eventually turned in prior to the patient leaving the premises. The District's billing system would not enable the District to use billing forms remaining at the close of business for the subsequent day's business. As a result, pre-numbered billing forms remained at the close of each business day which were never used. The District management did not account for the unused billing forms.

By not accounting for every billing form, it may be possible for services to be provided and properly recorded on a billing form, but the services and payment to not be entered into the accounting system.

We recommend the numerical sequence of bills be accounted for and reviewed by a supervisor.

**FINDING NUMBER 2002-002**

**Reportable Condition - Clinic Reporting and Reconciling**

The Clinic printed monthly reports to document the daily and monthly totals for each Clinic activity. However, insurance receipts, insurance adjustments, Medicaid receipts, Medicaid adjustments, and bad debt adjustments were not included on the monthly reports. As a result, the monthly reports did not provide sufficient information to enable the Clinic to reconcile its total monthly collections to amounts on pay-ins and did not allow management to adequately monitor the various financial aspects of the Clinic. This could allow errors or irregularities to occur and go undetected by management.

The Clinic should prepare a report monthly to recap the following:

- The total accounts receivable that was outstanding at the beginning of the month.
- The amount that was billed for patient services during the month. This should agree to the amounts on the numerical sequence of bills issued during the month described in finding 2002-001, after accounting for unused billing forms at the end of each day.
- The amount of cash and checks that were received for services during the month. The Clinic should reconcile the amounts credited to the accounts receivable listing each month to the related cash deposits for the month.
- The amount of adjustments (sliding fee scale) that were made during the month.
- The amount of insurance that was received during the month.
- The amount of Medicaid receipts and Medicaid adjustments during the month.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-002(Continued)**

**Reportable Condition - Clinic Reporting and Reconciling (Continued)**

- The amount of other adjustments (bad debt write-off adjustments, after date-of-service adjustments, and other adjustments) that were made during the month. A Supervisor should approve and sign each adjustment.
  
- The total accounts receivable that was outstanding at the end of the month.

This reporting process would allow the Clinic to reconcile all its financial activity for the month. Supporting detailed reports should be available to support each of these monthly totals. This monthly report should be signed by the employee preparing the report and be reviewed and signed by another designated Clinic employee who is knowledgeable of Clinic operations. The individual reviewing the report should gain assurances the report is complete and supported by detailed documentation.

We recommend the Clinic develop procedures to ensure monthly and annual reports which document the total financial activity that occurred in the Clinic are prepared and reviewed by management.

**FINDING NUMBER 2002-003**

**Reportable Condition - Employee Timesheets**

The District's internal control procedures over the payroll disbursement process include the review and approval of employee timesheets and leave forms by an appropriate level supervisor. However, 7% of employee timesheets tested did not have the supervisor's approval on them as indication the supervisor reviewed and approved the timesheet. In addition, of those timesheets in which leave time was used, 28% did not have the leave form signed by the supervisor as indication of review and approval.

This could result in employees submitting fraudulent timesheets and/or using and not reporting leave time.

We recommend all employee timesheets and leave requests be reviewed and signed by the appropriate level of supervisor as indication that timesheets and leave requests are approved by the supervisor.

**FINDING NUMBER 2002-004**

**Reportable Condition – Salary and Insurance Reimbursements**

The District's General Fund paid all payroll-related costs during the year for District operations, as well as for Muskingum Family & Children First Council operations, and was periodically reimbursed from the various District funds and Council funds. However, the amount of salary and insurance reimbursements received by the General Fund could not readily be reconciled to the amount of salary and insurance reimbursements paid out by the various other funds. As a result, it was necessary to perform additional procedures to reconcile these variances and determine if the actual costs paid by the General Fund on behalf of the other funds were indeed reimbursed in the proper amounts and classified properly. Our procedures resulted in \$108,725 in reclassifications to General Fund salary and insurance reimbursement revenues and \$8,470 in reclassifications to the salary and insurance reimbursement disbursements in the various other funds. The District's Fiscal Officer made initial attempts to resolve this discrepancy but was unable to do so.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2002-004(Continued)**

**Reportable Condition – Salary and Insurance Reimbursements (Continued)**

We recommend the District pay the various program costs directly out of the applicable program funds. For those grants/programs where funding is on a reimbursement basis, we recommend cash advances be made to cover any temporary cash flow problems as explained in Auditor of State Bulletin 97-003, dated January 20, 1997. In those few instances where reimbursements would be necessary, the reimbursements should be made for the actual costs and adequate supporting documentation should be maintained to support those transactions. The transactions should be properly classified on the financial statements as salary and insurance reimbursements.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-61060-001	A noncompliance reportable condition citation was issued under Ohio Revised Code Section 5705.41(D) for expenditures exceeding appropriations	Yes	Corrective action taken.
2001-61060-002	A reportable condition was issued regarding the Clinic department's accountability over the numerical sequence of bills	No	Not fully corrected. This item is repeated in the Schedule of Findings as item 2002-001.
2001-61060-003	A reportable condition was issued regarding the Clinic department's ability to report and reconcile their total financial activity	No	Not corrected. This item is repeated in the Schedule of Findings as item 2002-002.

**ZANESVILLE – MUSKINGUM COUNTY GENERAL HEALTH DISTRICT  
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	Management is currently planning to purchase new computer hardware and software.	January 2004	Gloria Keiffer, Clinic Director
2002-002	Management is currently planning to purchase new computer hardware and software.	January 2004	Gloria Keiffer, Clinic Director
2002-003	Supervisors will review and sign off all timesheets. The Fiscal Officer will check to ensure this has been done before allowing the timesheet to be entered into the payroll system.	October 2003	Sandy Wile, Fiscal Officer
2002-004	The Fiscal Officer will implement a monthly reconciliation procedure to ensure salary and insurance reimbursement receipts balance to salary and insurance reimbursement disbursements. The District will ensure supporting documentation is maintained on file to substantiate each transaction.	December 2003	Sandy Wile, Fiscal Officer

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**Auditor of State  
Betty Montgomery**

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**ZANESVILLE-MUSKINGUM COUNTY GENERAL HEALTH DISTRICT**

**MUSKINGUM 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  
JANUARY 20, 2004**