



Dave Yost • Auditor of State

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

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Dave Yost • Auditor of State

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, OH 45219

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 20, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, OH 45219

To the Members of the Board:

We have audited the accompanying financial statements of the Hamilton County General Health District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 2009. 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.

Except as described in paragraph three, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

We were unable to obtain audited financial statements or other sufficient evidence to support the January 1, 2007 balances in the previous audits for the general and special revenue funds. Therefore, we were unable to obtain sufficient evidence to support the January 1, 2009, balances for the general and special revenue funds.

As described more fully in Note 1, the District has prepared 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2009, or its changes in financial position for the year then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence to support the January 1, 2009 balances for the general and special revenue funds, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Hamilton County General Health District, Hamilton County, as of December 31, 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The audit reports of the District's financial statements for the years ended December 31, 2006 and 2005 have not been issued by the independent professional accountant contracted to complete those audits; therefore any issues affecting the January 1, 2007 balances and ultimately the January 1, 2009 balances that may have been identified by the firm in those audits have not been reported in the financial statements for the years ended December 31, 2009.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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 audit.

We conducted our audit to opine on the District's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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 basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

April 20, 2011

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 2009**

	General	Special Revenue	Total (Memorandum Only)
CASH RECEIPTS			
Intergovernmental	\$ 1,757,476	\$ 2,949,172	\$ 4,706,648
Charges for services	1,045,371	200,853	1,246,224
Fines, licenses and permits	2,082,441	2,121,022	4,203,463
Miscellaneous	32,338	-	32,338
Total cash receipts	4,917,626	5,271,047	10,188,673
CASH DISBURSEMENTS			
Health			
Salaries	2,469,219	1,481,812	3,951,031
Benefits	786,114	384,050	1,170,164
Travel and mileage	95,268	59,435	154,703
Office supplies	127,240	140,013	267,253
Furniture and equipment	59,040	21,764	80,804
Repair and maintenance	29,592	14,034	43,626
Contract services	752,379	814,959	1,567,338
State and other agency fees	345,501	800,584	1,146,085
Other disbursements	87,326	38,059	125,385
Total cash disbursements	4,751,680	3,754,710	8,506,389
EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS			
	165,947	1,516,337	1,682,284
FUND CASH BALANCE January 1, 2009	\$ 2,069,738	\$ 2,390,894	\$ 4,460,632
FUND CASH BALANCE December 31, 2009	\$ 2,235,685	\$ 3,907,231	\$ 6,142,916
RESERVE FOR ENCUMBRANCES - December 31, 2009	\$ 162,844	\$ 994,911	\$ 1,157,755

See notes to combined financial statement.

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**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity—The Hamilton County General Health District (the “District”) is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under the discretion of a five-member Board of Health (the “Board”). Members of the Board are appointed to serve five-year terms by the District Advisory Council. Members of this Council include the chief executive of each municipal corporation not constituting a city health district and the chairman of the board of township trustees of each township in the District or their alternates selected by their respective governing bodies. The Hamilton County Auditor is responsible for fiscal control of the resources of the District. The Hamilton County Treasurer is the custodian of these funds. Services provided by the District include public health care and the prevention or restriction of diseases.

Management believes the financial statements included in this report represent all of the General and Special Revenue funds of the District for which they have financial accountability.

Basis of Accounting—These financial statements were prepared on the cash 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. Acquisitions of property and equipment are therefore recorded as disbursements when paid and not reflected as net assets on the accompanying financial statements. 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 the Auditor of State prescribes or permits.

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 basis of accounting used by the District.

Fund Accounting—The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

- a. **General Fund**—The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.
- b. **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:

F.S.O. & Vending Fund—Accounts for the receipts and disbursements activity relating to the issuance of food service licenses throughout the County of Hamilton (the “County”).

Solid Waste Fund—Accounts for the receipts and disbursements activity relating to issuance of landfill licenses throughout the County.

Construction & Demolition Debris Fund—Accounts for the receipts and disbursements activity relating to inspection fees and the issuance of construction licenses and permits throughout the County.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Crippled Children Fund—Accounts for the receipts and disbursements activity relating to the services provided on behalf of the Bureau of Children with Medical Handicaps.

Swimming Pool Fund—Accounts for the receipts and disbursements activity relating to the issuance of swimming pool licenses throughout the County.

Tuberculosis Control Fund – Accounts for the receipts and disbursements activity relating to the operations of the Tuberculosis Control clinic.

Infant Mortality Reduction Program Fund – Accounts for the receipts and disbursements relating to the operations of the Office of Maternal and Infant Health and Mortality Reduction program.

Board of Health Grants – Accounts for the receipts and disbursements relating to state and federal grants received by the District.

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

- a. *Appropriations*—Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, function or first object level of control and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.
- b. *Estimated Resources*—Estimated Resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.
- c. *Encumbrances*—The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not encumber all commitments required by Ohio law.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Hamilton County Treasurer maintains a cash and investment pool of County funds, including those of the District. The Ohio Revised Code prescribes allowable deposits and investments. The District's carrying amounts of cash on deposit with the Hamilton County Treasurer was \$6,142,916 as of December 31, 2009. The Hamilton County Treasurer, as the ultimate fiscal agent for the District, is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Budgetary activity for the year ended December 31, 2009 is as follows:

Fund Type	Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,133,536	\$ 4,917,626	\$ (215,910)
Special Revenue	4,501,039	5,271,047	770,008
Total	\$ 9,634,575	\$ 10,188,673	\$ 554,098
Fund Type	Budgeted vs. Actual Budgetary Basis Expenditures		
	Budgeted Expenditures	Actual Expenditures	Variance
General	\$ 5,660,066	\$ 4,914,524	\$ 745,542
Special Revenue	7,531,111	4,749,621	2,781,490
Total	\$ 13,191,177	\$ 9,664,145	\$ 3,527,032

4. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

5. BENEFIT PLANS

District employees are employees of the County and, therefore, are covered by the following benefit plans:

A. Deferred Compensation Plan

Employees of the County may elect to participate in a deferred compensation plan administered by one of the following: (1) The Ohio Public Employees Deferred Compensation Plan; (2) ING Financial Services; or (3) The County Commissioners Association of Ohio. Under these plans, employees can defer up to 25% of their annual salary, not to exceed \$16,500 per year, until a future time, usually after retirement. The deferred amounts, as well as any income related to the deferral, are not subject to federal or state income tax until actually received by the employee.

B. Employee Retirement Systems and Plans

County employees are covered by the Ohio Public Employees Retirement System (OPERS). County employees hired after April 1, 1986, are also covered under the Federal Social Security Act for the Medicare portion only.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

5. BENEFIT PLANS (Continued)

OPERS administers three separate pension plans: (1) The Traditional Pension Plan is a cost-sharing, multiple-employer, defined-benefit pension plan. (2) The Member-Directed Plan is a defined-contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon. (3) The Combined Plan is a cost-sharing, multiple-employer, defined-benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Benefits provided under the OPERS plans are established by the Ohio Revised Code.

OPERS issues separate financial reports to the public that include financial statements and required supplemental information. These reports may be obtained by contacting the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, telephone (800) 222-7377.

The Ohio Revised Code provides OPERS statutory authority for employee and employer contributions. The required, actuarially determined contribution rates for 2009 for County employees are as follows:

County Share: 14.00 %

Employee Share: 10.00 %

The County's contributions, representing 100% of employer contributions, for the year ended December 31, 2009, and for each of the two preceding years, are as follows:

2009 \$540,158

2008 \$547,481

2007 \$484,423

C. Other Post-Employment Benefits (OPEB)

In addition to the pension benefits described above, OPERS provides post-retirement health-care coverage, commonly referred to as OPEB (other post-employment benefits), to qualifying members of both the Traditional Pension and the Combined Plans. The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health-care coverage.

OPERS provides post-retirement health-care coverage to age and service retirees with 10 or more years of qualifying State service credit and to primary survivor recipients of such retirees. Health-care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

6. RISK POOL MEMBERSHIP

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 Insurance

For casualty coverages through December 31, 2005, PEP retained the first \$250,000 of each loss, and reinsured loss amounts over \$250,000 with American Public Entities Excess Pool ("APEEP"), in an amount not to exceed \$1,750,000 per claim and \$10,000,000 in aggregate per year. PEP pays a percentage if its contribution to APEEP.

Effective January 1, 2006, PEP retains the first \$350,000 of each loss, and reinsures loss amounts over \$350,000 with APEEP, in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. PEP pays a percentage if its contribution to APEEP.

In losses exhaust PEP's retained earning, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to a certificate year aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

Property Insurance

Property coverage is also offered by the PEP, up to a per occurrence loss limitation of \$600,000,000. APEEP began administering a non risk-sharing property program for its members effective April 1, 1997. Automobile Physical Damage and Property are insured through the Property Program. Specific losses in excess of \$100,000 were reinsured with The Travelers Indemnity Company ("Travelers"), from April 1, 1997 through December 31, 2004.

Effective January 1, 2005 APEEP began administering a risk sharing program, in which Travelers reinsured property specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. Effective January 1, 2007, the terms changed, with Travelers reinsuring property specific losses in excess of \$300,000, up to \$600,000,000 per occurrence. Terms changed again, effective January 1, 2008, with Travelers now reinsuring property specific losses in excess of \$500,000 up to \$600,000,000.

From January 1, 2005 through December 31, 2008, APEEP reinsured members for specific property losses in excess of \$100,000 up to \$250,000 (\$300,000 effective 1/1/07 and \$500,000 effective 1/1/08) per occurrence, subject to an annual aggregate loss payment. Effective January 1, 2009, APEEP reinsured members for specific property losses in excess of \$150,000 up to \$500,000.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

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, 2009 and 2008:

	<u>2008</u>	<u>2009</u>
Assets	\$35,769,535	\$36,374,898
Liabilities	(15,310,206)	(15,256,862)
Net Assets	<u>\$20,459,329</u>	<u>\$21,118,036</u>

The Pool's membership increased from 445 members in 2008 to 447 members in 2009. The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2009 the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The Board of Directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2007	23,391
2008	24,545
2009	25,111

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. NON-COMPLIANCE

Ohio Revised Code, Section 3709.32, provides that amounts that the Board of Health anticipates collecting must be certified to the county budget commission, and that appropriations may not exceed this amount. Contrary to this section, in the year ended December 31, 2009, appropriations in the Grant fund exceeded certified estimated resources by \$3,132,631.

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**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursement
<u>U.S. Department of Health and Human Services – Centers for Disease Control and Prevention</u> <i>Pass-Through Ohio Department of Health</i>			
Public Health Emergency Preparedness	31-1-001-2-PH-0110	93.069	1,799,776
Building a Healthy Nation	5U58DP001719-02	93.283	240,108
Tuberculosis	31-1-001-2-TB-0110	93.118	74,400
Preventative Health and Health Service Block Grant	31-1-001-4-IP-0209	93.991	31,452
<u>U.S. Department of Health and Human Services – Administration on Aging</u> <i>Pass-Through Southwest Ohio Council on Aging</i>			
Special Programs for the Aging Title IV and Title II Discretionary Projects		93.048	<u>16,859</u>
Total U.S. Department of Health and Human Services			2,162,595
<u>Department of Transportation National Highway Traffic Safety Administration</u> <i>Pass-Through Ohio Department of Public Safety</i>			
State and Community Highway Grant	31-00-00-00644-00	20.600	95,626
State and Community Highway Grant	31-00-00-00382-00	20.600	<u>11,802</u> 107,428
<u>Department of Homeland Security</u> <i>Pass-Through Hamilton County Emergency Management Agency</i>			
Urban Areas Security Initiative		97.067	400,935
Total			<u>\$2,670,958</u>

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reports the activity of the Hamilton County General Health District's (the "District") federal award programs. The Schedule has been prepared on the cash basis of accounting. .

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

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

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, Ohio 45219

To the Members of the Board:

We have audited the financial statements of the Hamilton County General Health District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 2009, and have issued our report thereon dated April 20, 2011, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. In addition, we were unable to obtain audited financial statements or other sufficient evidence to support the January 1, 2009 balances for the general and special revenue funds. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned cost we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings and questioned costs to be a material weakness.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 20, 2011.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned cost as items 2009-001 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 20, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 20, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, Ohio 45219

To the Members of the Board:

Compliance

We have audited the compliance of the Hamilton County General Health District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the General Health District's major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned cost identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District'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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in finding 2009-005 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs/Cost Principles applicable to its Public Health Emergency Preparedness grant. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Hamilton County General Health District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2009.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2009-004.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-004 and 2009-005 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned cost. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

April 20, 2011

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Public Health Emergency Preparedness – CFDA 93.069 Urban Areas Security Initiative – 97.067
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

Noncompliance

Ohio Rev. Code, Section 102.03(D) and (E), states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. Further, no public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect that that person's duties.

**FINDING NUMBER 2009-001
 (Continued)**

In a matter brought to the attention of the Auditor of State by the Hamilton County General Health District, it was found that Mr. Jared Warner was employed by the General Health District, as Regional Public Health Coordinator, based on the terms of an employment agreement dated September 1, 2008 through March 31, 2009. The employment agreement stated that "During the term hereof, Employee shall observe and conform to the policies, procedures, and directives established by the Employer." The policies and procedures established by the General Health District and effective during Mr. Warner's term of employment included a policy on outside employment, part C of which states "Prior to engaging in outside employment, an employee shall complete a Request for Approval of Outside Employment form and confer with his/her supervisor to determine if the outside employment presents a conflict with the employee's present position." In a memorandum to Mr. Warner dated May 27, 2008, the District stated that Mr. Warner's request to engage in outside employment was denied because Mr. Warner's work with the Greater Cincinnati Health Council posed a potential conflict with his position at the General Health District. Further, on March 12, 2009 Mr. Warner signed an Ethics Disclosure Statement which indicated that he was not participating in other employment outside of the General Health District. Contrary to this, Mr. Warner, doing business as Warner Preparedness Services, LLC, engaged in outside employment with the Greater Cincinnati Health Council during the term of his employment agreement.

This matter will be referred to the Ohio Ethics Commission.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2009-002

Material Weakness

The budgetary accounting system should promote the monitoring of estimated receipts and appropriations by properly reporting budgeted and actual amounts. Budgeted amounts should reflect official budgetary documents, including the certificate of estimated resources and appropriations resolution. Appropriation amendments should be approved by the Board, estimated receipts should be certified to the County Budget Commission for approval, and all amendments should be properly recorded in the accounting system.

In 2009 estimated receipts and appropriations were not accurately recorded in the accounting system as follows:

Fund	Estimated Receipts as Certified by the County Budget Commission	Estimated Receipts per the Accounting System	Difference
General Fund	\$5,133,537	\$5,352,922	(\$219,385)
Grants Fund	1,022,701	4,545,312	(3,522,611)

Fund	Appropriations as Approved by the General Health District	Appropriations per the Accounting System	Difference
General Fund	\$5,660,066	\$5,795,958	(\$135,892)
TB Control Fund	977,182	949,782	27,400

**FINDING NUMBER 2009-002
(Continued)**

In addition, amounts reported by the District for budgetary activity in the notes to the financial statements were materially incorrect. Proposed audit adjustments were made by the District to correct the amounts.

- General Fund, budgeted receipts were initially reported at \$5,352,922 and were adjusted to properly report \$5,133,536.
- Special Revenue Funds, budgeted receipts were initially reported at \$3,558,581 and were adjusted to properly report \$4,501,039.
- General Fund actual receipts were initially reported at \$4,630,427 and were adjusted to properly report \$4,917,626.
- General Fund budgeted expenditures were initially reported at \$5,352,922 and were adjusted to properly report \$5,660,066.
- Special Revenue Funds, budgeted expenditures were initially reported at \$3,558,581 and were to properly report \$7,531,111.
- General Fund actual expenditures were initially reported at \$4,486,094 and were adjusted to properly report \$4,914,524.
- Special Revenue Funds, actual expenditures were initially reported at \$4,041,996 and were adjusted to properly report \$4,749,621.

The District establishes the official budget as follows:

- The Board certifies estimated resources to the budget commission for approval.
- The District Board authorizes appropriations.
- The Health Commissioner identifies amounts related to grant funds that are deemed appropriated per Ohio Revised Code, Section 5705.42.

The District then communicates the official budget to the County Auditor, and as the fiscal agent for the District, the County Auditor records in the accounting system the official budget. We recommend that the District monitor budgetary amounts recorded in the accounting system by the County Auditor to ensure that the accounting system reflects their official budget.

Failure to properly record estimated receipts and appropriations in the accounting system may result in an inability of management and the Board to properly monitor the activity and budgetary status of the District and could result in overspending. We recommend that management periodically review amounts recorded in the budgetary system for accuracy and agreement with official budgetary documents. Also, the District should compare internal information with the official budgetary documents and the amounts recorded in the system for accuracy and agreement.

**FINDING NUMBER 2009-002
(Continued)**

Officials' Response:

The Board of Health created a grant fund in 2009, which became a transition year to the grant accounting system. The fund was created *based on the recommendation of the Auditor of State*. Thereby, the differences in estimated receipts as adopted in the budget by the Board of Health and the receipts (grants awards) were realized and deposited into this new fund in the months following the Board of Health's adoption of their budget. We sent requests for amended certificates of resources to the County Budget Commission for each new grant award. County Auditor staff only enters appropriations into the finance system after they receive proper documentation of an approved budget. We provided the proper documentation to the County Auditor.

Auditor of State Conclusion:

It is the responsibility of the General Health District to monitor the budgetary information entered in the accounting system by the County Auditor for completeness and accuracy. In the prior audit, due to the comingling of grant funds in the General Fund, the Auditor of State's office recommended the District track their grant fund activity separately. Due to the County Auditor being the District's fiscal agency, the County Auditor created a fund to account for the District's grants. However, the District in the current audit period did not monitor the budgeted activity posted to the grant fund created by the County Auditor resulting in a significant undetected error.

FINDING NUMBER 2009-003

Noncompliance

Ohio Rev. Code, Section 3709.28, states that the board of health of a general health district shall, annually, on or before the first Monday of April, adopt an itemized appropriation measure. Such appropriation measure shall set forth the amounts for the current expenses of such district for the fiscal year beginning on the first day of January next ensuing. The appropriation measure, together with an estimate in itemized form, of the several sources of revenue available to the district, including the amount due from the state for the next fiscal year as provided in section 3709.32 of the Revised Code and the amount which the board anticipates will be collected in fees during the next ensuing fiscal year, shall be certified to the county auditor and by the county auditor submitted to the county budget commission which may reduce any item in such appropriation measure but may not increase any item or the aggregate of all items.

Subject to the aggregate amount as has been apportioned among the townships and municipalities and as may become available from the several sources of revenue, the board of health may, by resolution, transfer funds from one item in their appropriation to another item, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Any such action shall forthwith be certified by the secretary of the board of health to the auditor for submission to and approval by the budget commission.

Ohio Rev. Code, Section 5705.42, states that Federal and State grants or loans are "deemed appropriated for such purpose by the taxing authority" as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection.

Therefore, Federal and State grants and loans received under Ohio Rev. Code Section 5705.42 do not require formal appropriation by the legislative body. However, Ohio Rev. Code Section 5705.42 directs the fiscal officer to record the appropriation amount in the accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

**FINDING NUMBER 2009-003
 (Continued)**

The Health District Board authorized the Health Commissioner to appropriate grant funds on behalf of the Board of Health in a resolution dated August 10, 2009. Because Ohio Rev. Code Section 3709.28 requires Board authorization for the original appropriations and changes to the appropriations, the Board may not delegate to the Health Commissioner its responsibility to establish or modify appropriations. As explained in Auditor of State audit bulletin 1997-010: "The legislative body of a local government may *not* delegate its authority to establish appropriations. The appropriation process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill that responsibility. However, other officials of the local government may be given the authority to allocate or re-allocate funds within a legally adopted appropriation."

During 2009, the Health Commissioner appropriated \$3,630,275 in the grant fund that were neither subsequently approved by the Board nor certified to the County Auditor for submission to the County Budget Commission. However, the \$3,630,275 in appropriations approved by the Health Commissioner were related to State grants, and can be considered "deemed" appropriated in accordance with Ohio Rev. Code Section 5705.42. We recommend that the Board modify their resolution from authorizing the Health Commissioner to appropriate funds to authorizing him to communicate to County Auditor those amounts deemed appropriated in accordance with Ohio Rev. Code 5705.42 to be recorded as appropriations in the accounting system.

In addition, the appropriations authorized or deemed appropriated by the District exceeded the estimated resources certified by the county budget commission as follows:

Appropriations as Approved by the General Health District	Estimated Resources as Certified by the County Budget Commission	Variance
\$4,155,332	\$1,022,701	(\$3,132,631)

The County Auditor is the fiscal agent for the District and records the original and estimated resources certified by the budget commission. The District did certify additional estimated resources to the budget commission for grant funds associated with the 2010 grant year (July 2009 through June 2010); however, the District included the estimated resources on the 2010 certificate of estimated resources, instead of the 2009 certificate of estimated resources (the year in which the grant amounts were appropriated). This resulted in the variance for fiscal year 2009 as noted above.

Failure to properly certify estimated receipts with the County Budget Commission in the appropriate period may result in an inability of management and the Board to properly monitor the activity and budgetary status of the District and could result in overspending. We recommend that management periodically review the amounts recorded in the budgetary system for accuracy and agreement with official budgetary documents; and to work with the County Auditor's office to resolve all variances in a timely manner. Also, the District should compare internal information with the official budgetary documents and the amounts recorded in the system for accuracy and agreement.

Officials' Response:

While we disagree with the finding, the Board of Health will consider the State Auditor's recommendation to modify the wording of their Resolution E-2009 regarding grant fund appropriations for the 2011 fiscal year. We do not believe that the current wording represents noncompliance with the requirement.

**FINDING NUMBER 2009-003
 (Continued)**

Auditor of State Conclusion:

Ohio Rev. Code, Section 3709.28, clearly requires Board authorization for the original appropriations and changes to the appropriations. The Board of Health resolution E-2009 dated August 10, 2009 authorizes the Health Commissioner to appropriate grant funds on behalf of the Board of Health.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2009-004

Noncompliance/Material Weakness

Federal Schedule/Grant Accounting

CFDA Title and Number	Public Health Infrastructure & Public Health Emergency Preparedness – 93.069 Building a Healthy Nation Grant – 93.283 Tuberculosis – 93.118 Preventive Health and Health Service Block Grant – 93.991 Special Programs for the Aging Title IV and Title II Discretionary Projects – 93.048 State and Community Highway Grant – 20.600 Urban Areas Security Initiative – 97.067
Federal Award Number / Year	2009
Federal Agency	U.S. Department of Health and Human Services U.S. Department of Transportation U.S. Department of Homeland Security
Pass-Through Agency	Ohio Department of Health Council on Aging of Southwestern Ohio Ohio Department of Public Safety Hamilton County Emergency Management Agency

45 C.F.R. Part 92.20(b)(2) states that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

OMB Circular A-133 Subpart C Section .300 states that the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

**FINDING NUMBER 2009-004
(Continued)**

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs
- (d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with OMB Circular A-133, Section 310.

During our review of the District's schedule of expenditures of federal awards and supporting records we noted the following conditions:

- The District used Organizational Cost Accounts (OCA) in their accounting system to separately track non-payroll expenditures related to federal awards received. However, the District did not track all payroll expenses related to federal programs by the proper OCA assigned for the program in their accounting system. The District manually documents payroll expenses by grant and maintains the documentation.
- The District understated expenditures on the Schedule of Expenditures of Federal Awards for the Building a Healthy Nation grant in the amount of \$28,523 and overstated expenditures for the Special Programs for Aging Title IV and Title II in the amount of \$395. Also, \$400,935 of assets transferred from the Hamilton County Emergency Management Agency were not reported.

The District made the necessary adjustments to the Schedule of Federal Awards expenditures.

Failure to use grant accounting procedures could result in a lack of separate accountability of federal funds and an inability to track expenditures by their specific source, which could result in noncompliance with federal grant requirements.

Officials' Response:

We acknowledge that errors were made in the preparation of the Schedule of Federal Awards. However, we disagree with the classification of the errors as a material weakness. Two of the errors represented mathematical errors in the transfer of information from our accurate records to the schedule. The other error was an omission made because we were unaware that a property transfer from another Hamilton County Agency needed to be included on the schedule. We feel it important to note that at no time were the funds misused or improperly reported to the grantors.

Auditor of State Conclusion:

The Schedule of Federal Awards is an official report of federal expenditures prepared by the General Health District. It is the responsibility of the Health District to ensure accuracy and completeness of the Schedule. Also, it is the responsibility of the General Health District to report all federal awards received and expended as described in the OMB Circular noted above. Furthermore, AU Section 325, *Communicating Internal Control Related Matters Identified in an Audit*, provides guidance on evaluating control deficiencies. The finding met the criteria for reporting as a material weakness.

FINDING NUMBER 2009-005

Noncompliance/Material Weakness/Questioned Cost

Payroll Logs

CFDA Title and Number	Public Health Infrastructure & Public Health Emergency Preparedness – 93.069
Federal Award Number / Year	2009
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

2 C.F.R. Part 225, Appendix B subsection 8.h.(1) provides, in part, that salaries and wages charged to federal awards shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the governmental unit. Subsection 8.h.(3) provides where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Subsection 8.h.(4) provides that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Subsection 8.h. (5) (a) provides that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee.

During 2009 the District charged salaries and wages of \$255,549 to the Public Health Emergency Preparedness Grant but was unable to provide time logs to substantiate the hours charged. Charges were based on budgeted hours and not actual hours spent on the grant. Therefore, we are questioning \$255,549 of salaries and wages charged to the Public Health Emergency Preparedness Grant during 2009.

Failure to properly track salaries and wages charged to federal grants may result in an inability to account for expenditures charged to federal grants, noncompliance with federal grant requirements, and a potential loss of funding. We recommend that the District maintain signed certifications and/or time logs, as applicable, to support the salaries and wages charged to federal programs.

Officials' Response:

We disagree with statements made in this finding. Charges to the grant were made based on actual hours spent working on the grant. Three of the employees, whose time records were requested, are FLSA exempt, salaried employees, who work 100% of their time on the grant in question. In accordance with the requirements provided to us by the Ohio Department of Health, such employees are not required to keep or provide record of hours worked on the grant. Such a requirement only applies to employees who are partially allocated to the grant. Documentation of all hours charged to the grant is available for any hourly employee and any partially-charged employee. This documentation was also provided to the Ohio Department of Health (ODH) and approved by ODH during an onsite audit of this grant. In addition, the Hamilton County General Health District has since implemented an online time and activity tracking system for all employees (Exempt and Non-exempt), which will prevent any further misunderstanding.

**FINDING NUMBER 2009-005
(Continued)**

Auditor of State Conclusion:

We requested from the District the requirements provided to them by the Ohio Department of Health. The documentation received included the Ohio Department of Health Grants Administration Policies and Procedures (GAPP) Manual, Chapter 100. The District also referred to OMB Circular A-87, attachment B. The GAPP manual Chapter 100 subsection 101.7, indicates that all expenditures of the grant are subject to OMB Circular A-87 [which is codified as 2 C.F.R. Part 225 as cited above]. The District indicated that they did not obtain and maintain the certifications required by Subsection 8.h.(3) for persons charging solely to the Public Health Emergency Preparedness Grant. Furthermore, the District provided worksheets detailing the amounts charged to the grant for each person. The worksheets were based on budgeted amounts and those amounts did not match the accounting records for the amounts actually paid.

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**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Noncompliance/Significant Deficiency - Preparation of the Schedule of Expenditures of Federal Awards		No Longer Valid
2008-002	Noncompliance/Significant Deficiency - Failure to Implement Grant Accounting Procedures and Federal Schedule Preparation	No	Reissued as item 2009-004.

Note: The 2008 financial statement audit was finalized May 13, 2010; therefore, certain issues identified in 2008 that could not be corrected by the Hamilton County General Health District in 2009. As a result, there are 2008 issues repeated in the 2009 Schedule of Findings and Questioned Costs.

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Dave Yost • Auditor of State

HAMILTON COUNTY GENERAL HEALTH DISTRICT

HAMILTON 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
JUNE 9, 2011**