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From: Ritchie County Primary Care
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Print Name:
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sending facsimile) MARY BETH MCDUGAL, CFO

Message: Ritchie County Primary Care 2009 Audit per your request.

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RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
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Date Received

SEACHRIST, KENNON & MARLING, A.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ritchie County Primary Care Association, Inc.
Harrisville, West Virginia

We have audited the accompanying balance sheets of Ritchie County Primary Care Association, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ritchie County Primary Care Association, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009, on our consideration of Ritchie County Primary Care Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audits performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Ritchie County Primary Care Association, Inc. taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the West Virginia Department of Health and Human Resources and 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sechrist, Kenneth & Spaulding, A.C.

Wheeling, West Virginia
November 16, 2009

DHHR - Finance

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RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
BALANCE SHEETS
JUNE 30, 2009 AND 2008

	2009	2008
<u>Assets</u>		
Current assets:		
Cash and cash equivalents - Note 2	\$ 68,793	\$ 145
Patient receivables, net - Note 2	164,761	231,737
Prepaid expenses and deposits	5,899	12,518
Total current assets	239,453	244,400
Property and equipment - Note 2		
Building improvements	485,317	445,217
Furniture and fixtures	233,054	308,479
Equipment	205,346	197,121
	923,717	950,817
Less: Accumulated depreciation	499,180	405,225
	424,537	545,592
Other Assets		
	13,581	-
Total Assets	\$ 677,571	\$ 789,992
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 57,547	\$ 130,647
Bank Overdraft	-	12,094
Line of Credit	79,662	25,000
Accrued payroll and related liabilities	119,133	132,830
Current portion of long term debt	20,968	55,930
Total current liabilities	277,310	356,501
Long Term Liabilities:		
Long Term Debt	51,515	91,936
Total Liabilities	328,825	448,437
Net assets:		
Unrestricted	308,746	301,555
Temporarily restricted - Note 2	40,000	40,000
Total net assets	348,746	341,555
Total Liabilities and Net Assets	\$ 677,571	\$ 789,992

The accompanying notes are an integral part of these financial statements

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<u>Revenues, Gains and Other Support</u>		
Net patient service revenue - Note 2	\$ 1,646,195	\$1,249,428
School-based health center funding - Note 5	56,100	56,100
Grant revenue	622,275	676,815
Other revenue	80,283	2,049
Net assets released from restrictions	40,000	119,632
Total Revenues, Gains and Other Support	2,444,853	2,104,024
<u>Expenses</u>		
Salaries and wages	1,715,158	1,381,599
Payroll taxes and benefits	311,159	298,774
Purchased services	45,991	27,804
Supplies	111,195	140,901
Depreciation	141,095	91,535
Insurance	15,680	22,940
Legal and accounting	16,390	14,637
Repairs and maintenance	71,299	65,619
Facility rent and utilities	96,845	66,542
Telephone	50,421	37,851
Interest	12,836	9,743
Advertising and promotions	7,023	8,905
Healthcare provider tax - Note 10	6,521	5,054
Other	99,279	133,080
Total Expenses	2,700,892	2,304,984
Excess (deficiency) of revenues, gains and other support over expenses before other items	(256,039)	(200,960)
<u>Other Income and Expenditures</u>		
Gain (loss) on asset disposal - Note 13	70,950	-
Primary care deficit funding - Note 5	192,280	160,160
Total other income and expenditures	263,230	160,160
Increase (decrease) in unrestricted net assets	7,191	(40,800)

The accompanying notes are an integral part of these financial statements.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Temporarily restricted net assets:		
Grants received	40,000	138,175
Net assets released from restrictions	<u>(40,000)</u>	<u>(119,632)</u>
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>18,543</u>
 Increase (decrease) in net assets	 7,191	 (22,257)
 Net assets, beginning of year	 <u>341,555</u>	 <u>363,812</u>
 Net assets, end of year	 <u>\$ 348,746</u>	 <u>\$341,555</u>

The accompanying notes are an integral part of these financial statements.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<u>Cash Flows from Operating Activities:</u>		
Increase (decrease) in net assets	\$ 7,191	\$ (22,257)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	141,095	91,535
(Gain) Loss on sale of fixed assets	(9,429)	-
(Increase) decrease in:		
Patient receivables, net	66,976	(114,997)
Other Assets	(13,581)	-
Prepaid expenses and deposits	6,619	25,960
Increase (decrease) in:		
Accounts payable & current liabilities	(98,887)	243,437
Net cash provided (used) by operating activities	99,984	223,678
<u>Cash flows from investing activities:</u>		
Property and equipment acquisitions	(48,328)	(330,705)
Sale of property and equipment	37,713	-
Net cash provided from (used in) investing activities	(10,615)	(330,705)
<u>Cash Flows from Financing Activities:</u>		
Payments (proceeds) on the line of credit and note payable	(20,721)	91,936
Net cash provided (used) in financing activities	(20,721)	91,936
Net increase (decrease) in cash and cash equivalents	68,648	(15,091)
Cash and cash equivalents, beginning of year	145	15,236
Cash and cash equivalents, end of year	\$ 68,793	\$ 145
Supplemental disclosures of cash flow information:		
Cash used for interest payments	\$ 12,836	\$ 9,743

The accompanying notes are an integral part of these financial statements.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1. DESCRIPTION OF ORGANIZATION

Ritchie County Primary Care Association, Inc. (the Association) is a non-profit West Virginia corporation established as a federally qualified health center (FQHC) for the purpose of providing primary care services to the residents of Ritchie, Wood, Doddridge, Jefferson and Pleasants Counties, West Virginia and the surrounding area.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of changes in interest rates. Cash equivalents are stated at cost, which approximates fair value.

Cash Balances in Excess of FDIC Insurance - The Association maintains cash in demand deposit accounts with a federally insured bank. At times the balances in these accounts may be in excess of federally insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose a significant risk.

Patient Receivables - Patient receivables are reported at estimated net realizable amounts from patients and responsible third-party payers. Amounts owed to the Association are reported net of allowances. Allowances include estimates of contractual adjustments, charity care and bad debts. Specific patient balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, the Association has implemented a standardized approach to estimate and review the collectability of its receivables based on accounts receivable aging trends. Historical collection and payer reimbursement experience are an integral part of the estimation process related to determining allowances for contractual allowances and doubtful accounts. In addition, the Association assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to net patient service revenue or the provision for doubtful accounts in the period of revision. The Association believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions. Receivables resulting from services rendered to patients have been disclosed net of an allowance for uncollectibles of \$157,139 and \$170,741 at June 30, 2009 and 2008, respectively.

Property and Equipment - Property and equipment is reported at cost for purchased items and fair value for contributed items. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The Association's policy is to capitalize and depreciate all fixed assets with a cost at or above a limit determined by the Board of Directors with an estimated useful life of greater than one year.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are included in the increase (decrease) in unrestricted net assets, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. The sum of all fixed assets less depreciation for the operating years 2009 and 2008 are \$424,537 and \$545,592, respectively.

Temporarily and Permanently Restricted Net Assets - Unrestricted net assets are those whose use by the Association is not subject to donor imposed stipulations. Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time, period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by the Association in perpetuity.

For the years ended June 30, 2009 and 2008, the Association had no permanently restricted net assets and had temporarily restricted net assets of \$40,000 and \$40,000, respectively.

Temporarily restricted net assets represent a grant from the Sisters of St. Joseph Wellness and Health Foundation. The grant is to be used for the capital improvement of the Jefferson Elementary Wellness Center and should be used in the 2010 operating year.

Revenue Recognition - The Association has agreements with third-party payers that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers. Contractual allowances including bad debts and sliding fee write offs were \$396,418 and \$273,278 for the fiscal years ended June 30, 2009 and 2008, respectively. Revenues are based on medical services provided. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association.

Charity Care - The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates.

Contributions, Grants and Awards - All contributions, grants and awards are considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are designated for future periods or restricted by the donor/grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same year in which the contribution, grant or award is received, the Association reports the support as unrestricted.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Increase (Decrease) in Unrestricted Net Assets - The statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets. There were no such transactions during the years ended June 30, 2009 and 2008.

Interest - All interest costs incurred during the years ended June 30, 2009 and 2008 have been expensed. Interest expense for the 2009 and 2008 was \$12,836 and \$9,743, respectively.

Advertising - All advertising costs have been expensed and are included in operating expenses in the statements of operations.

Income Taxes - The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under 509(a)(1).

NOTE 3. LINE OF CREDIT

The Association has established a \$100,000 secured line of credit with Huntington National Bank with an interest rate of prime plus 1.5%. At June 30, 2009 and 2008, there was an outstanding balance of \$79,662 and \$25,000, respectively.

NOTE 4. LONG TERM DEBT

The notes payable of Ritchie County Primary Care Association, Inc. are summarized as follows:

<u>Creditor</u>	<u>Collateral</u>	<u>Terms</u>	<u>Interest Rate</u>	<u>June 30, 2009 Balance</u>
The Center for Rural Health Development, Inc.	None	Monthly principal and interest payments of \$1,933.28 through December 2012	6.00%	\$ 72,483
		<u>2009</u>		
Mortgages and notes payable		\$ 72,483		
Less - current maturities		<u>(20,968)</u>		
Long-term		<u>\$ 51,515</u>		

Aggregate maturities of long-term debt for the periods subsequent to June 30, 2009, based on present arrangements, are as follows:

2010	\$ 20,968
2011	20,671
2012	21,946
2013	<u>8,898</u>
	<u>\$ 72,483</u>

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 5. PRIMARY CARE FUNDING

Ritchie County Primary Care Association, Inc. was awarded Primary Care Uncompensated Care Grants of \$192,280 and \$160,160 for the years ended June 30, 2009 and 2008, respectively, by the West Virginia Department of Health and Human Resources, Bureau for Public Health. The intent of these grants was to provide deficit funding so that the Association can continue to serve patients who cannot pay for services.

The grants are subject to numerous requirements. To maintain continued eligibility the Association must be experiencing a financial deficit created when the Association's revenues do not offset expenses incurred while rendering primary care services. Surplus funds will be determined using the last three years' audits with adjustments made to identify allowable excess funds. Any such surpluses, determined in accordance with state requirements, could cause a reduction in future awards.

Additional grants from the West Virginia Department of Health and Human Resources, Bureau for Public Health for the provision and delivery of primary care services for the years ended June 30 were awarded as follows:

	2009	2008
School-Based Health Center Grant	\$ 56,100	\$ 56,100

NOTE 6. SCHOOL-BASED HEALTH PROGRAM GRANT

The Association operates a school-based health program at public schools in Ritchie, Wood, Doddridge, Jefferson and Pleasants Counties. This program is funded in part with grants provided through the Division of Primary Care Programs of the West Virginia Department of Health and Human Resources (WVDHHR). A summary of expenses of this program for the years ended June 30, 2009 and 2008 is as follows:

	2009	2008
Personnel	\$ 288,740	\$ 331,408
Employee benefits	10,325	41,864
Other costs	19,320	53,315
	\$ 318,385	\$ 426,587

NOTE 7. FEDERAL 330 GRANT FUNDING

The Bureau of Primary Health Care awarded the Association with Federal 330 grant funding in the amount of \$800,653 for the period November 1, 2007 through October 31, 2008 and subsequent funding in the amount of \$528,328 for the period November 1, 2008 through October 31, 2009. The Federal 330 grants are issued to community health centers to increase the access to comprehensive primary and preventive health care, and improve the health status of underserved populations. The Association received and expended \$603,918 and \$676,815 in Federal 330 funding for the years ended June 30, 2009 and 2008, respectively.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 8. OPERATING LEASES

The Association leases office space in the former Ritchie County High School building, located in the Town of Harrisville. Total rental payments for office space for the years ended June 30, 2009 and 2008 were \$24,000 and \$24,000, respectively. Effective January 1, 2008 the Association entered into a lease agreement with Dr. David W. Avery. Total rental payments made to Dr. David W. Avery during the years ended June 30, 2009 and 2008 were \$31,970 and \$17,761, respectively. Total rental payments related to the health care center operated in Doddridge County, West Virginia for the years ended June 30, 2009 and 2008 were \$15,000 and \$8,750, respectively.

NOTE 9. MALPRACTICE INSURANCE

The Association's employees are deemed employees of the federal government for the purposes of malpractice liability protection under the Federal Tort Claims Act. Upon acquisition of Dr. Avery's practice, the Association became liable for any potential lawsuit filed against Dr. Avery for services he rendered before the acquisition for a given period of time. Because of this potential for legal action, the Association acquired malpractice insurance and in the year ended June 30, 2009, paid a total of \$5,946 before separation of the Association and the practice of Dr. David W. Avery and \$9,103 for the year ended June 30, 2008.

NOTE 10. WEST VIRGINIA HEALTHCARE PROVIDER TAX

The State of West Virginia levies a broad-based-healthcare-tax-on gross receipts for services provided by physicians, nurses, therapists and others. The taxes paid by the Association totaled \$6,521 and \$5,054 for the years ended June 30, 2009 and 2008, respectively.

NOTE 11. ECONOMIC DEPENDENCY AND GEOGRAPHIC CONCENTRATION

The Association generates a substantial portion of its patient service revenue from services to Medicaid and Medicare beneficiaries. Changes in payment rates or methodologies by those programs could significantly impact its operations. It also receives significant funding from the West Virginia Department of Health and Human Resources, Bureau for Public Health and the Federal Health and Human Services Administration, 330 Funding, as discussed in other notes to financial statements. Discontinuation of support from these sources could also significantly impact operations.

Patient service revenue that the Association generates is primarily limited to services to residents in Ritchie County, Doddridge County, and the surrounding communities. General economic conditions in the areas can, therefore, significantly influence the Association's ability to collect fees for services rendered.

NOTE 12. FUNCTIONAL CLASSIFICATION OF ACTIVITIES

Expenses are charged to program and support services based on the actual costs incurred. Those expenses which are not directly identifiable with any other specific function but provide overall support and direction have been included as administrative and general. Functional expenses for the years ended June 30, 2009 and 2008 have been classified as follows:

	<u>2009</u>	<u>2008</u>
Administrative and general	\$ 507,822	\$ 500,284
Program services	<u>2,189,239</u>	<u>1,804,700</u>
	<u>\$ 2,697,061</u>	<u>\$ 2,304,984</u>

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 13. EXTRAORDINARY GAIN

On April 20, 2009 the relationship between the Association and the practice of Dr. David W. Avery was dissolved. All assets received by the Association during the acquisition of practice of Dr. David W. Avery, during the year ended June 30, 2008, were all reacquired by Dr. Avery's practice on the date of dissolution. All leasing and other agreements related to the operations Dr. Avery's practice reverted from the Association to Dr. Avery's practice on the date of dissolution as well. Dr. Avery issued funds to the organization in the amount of \$58,379 reimburse the organization for all payments made by the Association for malpractice insurance related to Dr. Avery, all payments made by the Association related to the acquisition of Dr. Avery's fixed assets, and other expenses. The reimbursement from Dr. Avery caused an extraordinary gain of \$70,950 for the year ended June 30, 2009.

NOTE 14. DONATED GOODS AND MATERIALS

Ritchie County Primary Care Association, Inc. received donations of goods and materials. The fair market value of these donations is not readily determinable and therefore has not been recorded on the statement of operations and changes in net assets.

NOTE 15. PENSION

The Association has an established 403(b) Profit Sharing Plan which covers eligible employees. Employee contributions are made to the plan as salary deferrals. During the 2008 operating year, the Association changed its pension policy to allow all full time & full time equivalent to take part in the pension plan. Pension expense for the years ended June 30, 2009 and 2008 was \$33,810 and \$35,491, respectively.

NOTE 16. STIMULUS GRANTS

The Association was awarded amounts related to The American Recovery and Reinvestment Act. The award amount of \$176,270 was awarded for the period March 27, 2009 through March 26, 2011 and additional funding in the amount of \$464,012 was awarded for the period June 29, 2009 through June 28, 2011. The Association has not drawn down any portion of either grant. For the purposes of financial statement presentation, the grant amounts have not been recognized as a receivable nor revenue in the same manner as the Association recognizes 330 funding.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor	CFDA No.	Award Amount	Receivable (Deferred) 6/30/2008	Receipts 7/1/2008 to 6/30/2009	Expenditures 7/1/2008 to 6/30/2009	Receivable (Deferred) 6/30/2009
Department of Health and Human Services - Health Resources & Services Administration						
Community Health Centers (11/1/08 - 10/31/09)	93 224	\$ 528,328	\$ -	\$ 364,391	\$ 364,391	\$ -
Community Health Centers (11/1/07 - 10/31/08)	93 224	800,653	-	239,527	239,527	-
Total Federal Awards		<u>\$ 1,328,981</u>	<u>\$ -</u>	<u>\$ 603,918</u>	<u>\$ 603,918</u>	<u>\$ -</u>
State Grantor						
West Virginia Department of Health and Human Resources						
Uncompensated Care Grant (7/1/08 - 6/30/09)		\$ 192,280	\$ -	\$ 192,280	\$ 192,280	\$ -
School Based Health Center (7/1/08 - 6/30/09)		56,100	-	56,100	56,100	-
Total State Awards		<u>\$ 248,380</u>	<u>\$ -</u>	<u>\$ 248,380</u>	<u>\$ 248,380</u>	<u>\$ -</u>

SEACHRIST, KENNON & MARLING, A.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Ritchie County Primary Care Association, Inc.
Harrisville, West Virginia

We have audited the financial statements of Ritchie County Primary Care Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ritchie County Primary Care Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ritchie County Primary Care Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See findings 09-01 through 09-06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, material weaknesses. We consider findings 09-01 through 09-06 to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ritchie County Primary Care Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Ritchie County Primary Care Association, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Ritchie County Primary Care Association, Inc.'s responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the management of Ritchie County Primary Care Association, Inc. in a separate letter dated November 16, 2009.

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


Wheeling, West Virginia
November 16, 2009

SEACHRIST, KENNON & MARLING, A.C.

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

To the Board of Directors of the
Ritchie County Primary Care Association, Inc.
Harrisville, West Virginia

Compliance

We have audited the compliance of Ritchie County Primary Care Association, Inc., a nonprofit organization, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Ritchie County Primary Care Association, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ritchie County Primary Care Association, Inc.'s management. Our responsibility is to express an opinion on Ritchie County Primary Care Association, Inc.'s compliance based on our audit.

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

In our opinion, Ritchie County Primary Care Association, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-06.

Internal Control Over Compliance

The management of Ritchie County Primary Care Association, Inc. 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 Ritchie County Primary Care Association, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-06 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 09-06 to be a material weakness.

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

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

Seachrist, Kennon E, Typuling, A.C.
Wheeling, West Virginia
November 16, 2009

**RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Ritchie County Primary Care Association, Inc.
2. Significant deficiencies and material weaknesses relating to the audit of the financial statements were noted.
3. Instances of noncompliance material to the financial statements of Ritchie County Primary Care Association, Inc. were disclosed during the audit.
4. Significant deficiencies and material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
5. The auditor's report on compliance for the major federal award programs for Ritchie County Primary Care Association, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

<u>Name</u>	<u>CFDA No.</u>
Department of Health and Human Services Health Resources and Services Administration	93.224

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Ritchie County Primary Care Association, Inc. was determined not to be a low risk auditee.

B. Findings - Financial Statement Audit

Findings were found in the financial statement audit.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

Findings were found.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II - SUMMARY SCHEDULE OF AUDIT FINDINGS

Finding 09-1: Significant Deficiency / Material Weakness

General Ledger Reconciliation:

Condition: Subsidiary ledgers and records supporting accounts are not being reconciled to the general ledger and certain account classifications are not being properly reflected.

Criteria: Effective internal control over financial reporting requires that the Association reconcile subsidiary ledgers and records supporting accounts to the general ledger.

Effect: A likelihood exists that the Association may issue financial statements that contain a misstatement that will not be prevented or detected by the Association's internal control.

Recommendation: We recommend that the Association perform routine reconciliations of the general ledger accounts.

Response: Management agrees with this assessment and recognizes that continued improvement in the area is necessary.

Finding 09-2: Significant Deficiency / Material Weakness

Financial Statement Preparation:

Condition: The Association currently requires assistance from the auditors to prepare its financial statements and related footnotes.

Criteria: Effective internal control over financial reporting requires that the Association prepare its own financial statements and related footnotes or designate an employee with the knowledge to oversee the preparation of, and identify material misstatements in, the financial statements prepared by the auditor.

Effect: A likelihood exists that the Association may issue financial statements and related footnotes that contain a misstatement that will not be prevented or detected by the Association's internal control.

Recommendation: We recommend that the Association designate an employee with the knowledge to oversee the preparation of, and review for material misstatements, the financial statements and related footnotes as prepared by the auditor.

Response: Management acknowledges that the Association's staff does not possess the expertise required to prepare, or oversee the preparation of, the financial statements; however, due to limited resources it would not be cost beneficial to hire additional staff at this time.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II - SUMMARY SCHEDULE OF AUDIT FINDINGS (CONTINUED)

Finding 09-3: Significant Deficiency / Material Weakness

Segregation of Duties:

Condition: The Association currently does not have properly designed and implemented internal controls that would be preferred to ensure optimum segregation of duties.

Criteria: Effective internal control over financial reporting necessitates segregation of duties among unrelated employees of the Association, or direct involvement of the board of directors or other supervisory committee, in order to minimize the risk of financial statement misstatements caused by error or fraud.

Effect: A likelihood exists that the Association may issue financial statements and related footnotes that contain misstatements caused by error or fraud due to lack of segregation of duties.

Recommendation: During the year ended June 30, 2009 management implemented policies, procedures and reassigned certain duties to obtain a segregation of duties however our testing and observation of the implemented changes revealed that the controls have not been properly designed and are not properly implemented. We recommend that management assess the adequacy of the controls and design appropriate controls, as necessary, to rectify any inadequacies noted.

Response: Management agrees with this assessment and is reevaluating the policies, procedures, reassigning duties, and making any necessary changes to rectify the inadequacies noted.

Finding 09-4: Significant Deficiency / Material Weakness

Year-End Trial Balance:

Condition: The year-end trial balance that management prepared and presented to us to audit contained numerous material misstatements. Based on our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we believe that the cause of the material misstatements was inadequately designed control policies and procedures related to the reconciliation of general ledger accounts.

Criteria: Effective controls over the preparation of the year-end trial balance is a necessary step to ensure the Association's financial statements are fairly stated.

Effect: The lack of controls over the preparation of the year-end trial balance may result in material misstatements of the Association's trial balance and financial statements

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II - SUMMARY SCHEDULE OF AUDIT FINDINGS (CONTINUED)

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the reconciliation of general ledger accounts and the preparation of financial statements and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Management agrees with this assessment and recognizes that continued improvement in this area is necessary.

Finding 09-5: Significant Deficiency / Material Weakness

Payroll:

Condition: Two (2) of the employees tested were being paid at a rate of pay that did not agree to their approved rate of pay as documented in the employee file. One (1) physician tested did not have a contract available for review

Criteria: Effective controls over the preparation, review and approval of rates of pay, and worked hours is essential to ensure the Association's financial statements are not over or understated because of mistakes and/or errors in payroll.

Effect: The lack of controls over the preparation, review and approval of payroll may result in material misstatements of the Association's financial statements.

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the preparation, review and approval of payroll and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Management agrees with this assessment and recognizes that continued improvement in this area is necessary.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II - SUMMARY SCHEDULE OF AUDIT FINDINGS (CONTINUED)

Finding 09-6: Significant Deficiency / Material Weakness

Control Environment:

Condition: There are five components of internal control: control environment, risk assessment, control activities, information and communication systems, and monitoring. Internal control is a process effected by those charged with governance and management designed to provide reasonable assurance about the achievement of the Association's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. During our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we observed deficiencies in the design and operation of the Association's control activities, information and communication systems and monitoring.

Criteria: Control activities are the policies and procedures that ensure that the Association's directives are carried out. Information and communication systems include the procedures used to initiate, record, process and report the Association's transactions. Monitoring is the process that assesses whether controls are operating as intended.

Effect: The deficiencies in the design and operation of the Association's control activities, information and communication systems, and monitoring may prevent the Association from identifying external and internal risks that could affect financial reporting.

Recommendation: The Association should assess the adequacy of the design and operation of its policies and procedures related to the preparation, review and approval of employee deductions. The Association should design and implement policies and procedures to ensure that the amount deducted from employee payroll agrees to company policy. We observed insufficient monitoring of this previously addressed operational issue resulting in the lack of updating of employee deductions for health care costs as premiums increased as the company policy states. We recommend the Association evaluate the following internal controls over financial reporting.

a. *Control activities* are the policies and procedures that help ensure that management directives are carried out. They include segregation of duties, information processing, reviews and approvals, physical controls, etc.

b. *Information and communication systems* include the accounting system and its manual or automated procedures and records used to initiate, record, process, and report the company's transactions, events, and conditions and to maintain accountability for the related assets, liabilities, and equity.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II - SUMMARY SCHEDULE OF AUDIT FINDINGS (CONTINUED)

c. *Monitoring* is a process that assesses whether controls are operating as intended, takes corrective action for deficiencies noted, and modifies control as appropriate for changed conditions. Monitoring can be accomplished through ongoing activities by management personnel who have direct knowledge of the company's business activities, separate evaluations, or as a combination of the two. Also, some monitoring may be provided by controls built into information technology.

Response: Management agrees with this assessment and recognizes that continued improvement in this area is necessary.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 08-1: Significant Deficiency / Material Weakness

General Ledger Reconciliation:

Condition: Subsidiary ledgers and records supporting accounts are not being reconciled to the general ledger and certain account classifications are not being properly reflected.

Criteria: Effective internal control over financial reporting requires that the Organization reconcile subsidiary ledgers and records supporting accounts to the general ledger.

Effect: A likelihood exists that the Organization may issue financial statements that contain a misstatement that will not be prevented or detected by the organization's internal control.

Recommendation: We recommend that the Organization perform routine reconciliations of the general ledger accounts.

Response: Finding not corrected and reissued as finding 09-1

Finding 08-2: Significant Deficiency / Material Weakness

Financial Statement Preparation:

Condition: The Organization currently requires assistance from the auditors to prepare its financial statements and related footnotes

Criteria: Effective internal control over financial reporting requires that the Organization prepare its own financial statements and related footnotes or designate an employee with the knowledge to oversee the preparation of, and identify material misstatements in, the financial statements prepared by the auditor.

Effect: A likelihood exists that the Organization may issue financial statements and related footnotes that contain a misstatement that will not be prevented or detected by the organization's internal control

Recommendation: We recommend that the Organization designate an employee with the knowledge to oversee the preparation of, and review for material misstatements, the financial statements and related footnotes as prepared by the auditor.

Response: Finding not corrected and reissued as finding 09-2

ITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - (CONT.)

Finding 08-3: Significant Deficiency / Material Weakness

Segregation of Duties:

Condition: The Organization currently does not have properly designed and implemented internal controls that would be preferred to ensure optimum segregation of duties.

Criteria: Effective internal control over financial reporting necessitates segregation of duties among unrelated employees of the organization, or direct involvement of the board of directors or other supervisory committee, in order to minimize the risk of financial statement misstatements caused by error or fraud.

Effect: A likelihood exists that the Organization may issue financial statements and related footnotes that contain misstatements caused by error or fraud due to lack of segregation of duties.

Recommendation: During the year ended June 30, 2008 management implemented policies, procedures and reassigned certain duties to obtain a segregation of duties however our testing and observation of the implemented changes revealed that the controls have not been properly designed and are not properly implemented. We recommend that management assess the adequacy of the controls and design appropriate controls, as necessary, to rectify any inadequacies noted.

Response: Finding not corrected and reissued as finding 09-3

Finding 08-4: Significant Deficiency / Material Weakness

Year-End Trial Balance:

Condition: The year-end trial balance that management prepared and presented to us to audit contained numerous material misstatements. Based on our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we believe that the cause of the material misstatements was inadequately designed control policies and procedures related to the reconciliation of general ledger accounts.

Criteria: Effective controls over the preparation of the year-end trial balance is a necessary step to ensure the Organization's financial statements are fairly stated.

Effect: The lack of controls over the preparation of the year-end trial balance may result in material misstatements of the Organization's trial balance and financial statements.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - (CONT.)

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the reconciliation of general ledger accounts and the preparation of financial statements and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Finding not corrected and reissued as finding 09-4

Finding 08-5: Significant Deficiency / Material Weakness

Payroll:

Condition: Five (5) of the employees tested were being paid at a rate of pay that did not agree to their approved rate of pay as documented in the employee file. Ten (10) time cards tested contained mathematical errors. One (1) employee tested was paid overtime hours that did not meet the criteria for overtime pay as defined in the employee handbook.

Criteria: Effective controls over the preparation, review and approval of rates of pay, overtime claimed and worked hours is essential to ensure the Organization's financial statements are not over or understated because of mistakes and/or errors in payroll.

Effect: The lack of controls over the preparation, review and approval of payroll may result in material misstatements of the Organization's financial statements.

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the preparation, review and approval of payroll and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Multiple instances noted in the finding were corrected during the year ended June 30, 2009. Additional rates and contracts examined during testing yielded additional results calling into question the Association's adequacy in monitoring of payroll functions. General finding not corrected and reissued as finding 09-5

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - (CONT.)

Finding 08-6: Significant Deficiency / Material Weakness

Control Environment:

Condition: There are five components of internal control: control environment, risk assessment, control activities, information and communication systems, and monitoring. Internal control is a process effected by those charged with governance and management designed to provide reasonable assurance about the achievement of the Organization's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. During our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we observed deficiencies in the design and operation of the Organization's control activities, information and communication systems and monitoring.

Criteria: Control activities are the policies and procedures that ensure that the Organization's directives are carried out. Information and communication systems include the procedures used to initiate, record, process and report the Organization's transactions. Monitoring is the process that assesses whether controls are operating as intended.

Effect: The deficiencies in the design and operation of the Organization's control activities, information and communication systems, and monitoring may prevent the Organization from identifying external and internal risks that could affect financial reporting.

Recommendation: The Organization should assess the adequacy of the design and operation of its policies and procedures related to the preparation, review and approval of the (1) ~~monthly bank reconciliation which contained various mathematical and clerical errors and~~ (2) appropriate documentation for all sliding fee applications. The Organization should design and implement policies and procedures to ensure that all services being billed are appropriately supported by the physician notes. We observed insufficient monitoring of this previously addressed operational issue. We recommend the Organization evaluate the following internal controls over financial reporting.

a. *Control activities* are the policies and procedures that help ensure that management directives are carried out. They include segregation of duties, information processing, reviews and approvals, physical controls, etc.

b. *Information and communication systems* include the accounting system and its manual or automated procedures and records used to initiate, record, process, and report the company's transactions, events, and conditions and to maintain accountability for the related assets, liabilities, and equity.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - (CONT.)

c. Monitoring is a process that assesses whether controls are operating as intended, takes corrective action for deficiencies noted, and modifies control as appropriate for changed conditions. Monitoring can be accomplished through ongoing activities by management personnel who have direct knowledge of the company's business activities, separate evaluations, or as a combination of the two. Also, some monitoring may be provided by controls built into information technology.

Response: The general deficiencies in the control environment still exist during the year ended June 30, 2009. The specified issues cited in finding 08-6: (1) monthly bank reconciliation which contained various mathematical and clerical errors and (2) lack of appropriate documentation for all sliding fee applications, were corrected during the course of the year ended June 30, 2009. Because the general deficiencies still exist on June 30, 2009 and the specified issue of lack of adherence to company policy on employee deductions related to employee health insurance; the general finding for deficiencies in the control environment will be repeated as 09-6.