

**RITCHIE COUNTY
PRIMARY CARE ASSOC., INC.**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

JUNE 30, 2013

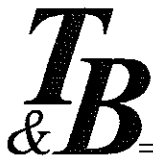
DHHR - Finance

MAR 18 2014

Date Received

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ritchie County Primary Care Assoc., Inc. (a nonprofit organization), which comprise the balance sheet as of June 30, 2013, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ritchie County Primary Care Assoc., Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of state grant receipts and expenditures is presented for purposes of additional analysis and is also not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of Ritchie County Primary Care Assoc., 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ritchie County Primary Care Assoc., Inc.'s internal control over financial reporting and compliance.

Tetuck & Bartlett, PLLC

December 30, 2013

DHHR - Finance

MAR 18 2014

Date Received

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
BALANCE SHEET
JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$	44,774
Accounts receivable, net		180,039
Settlements due from third-party payors		210,255
Grants receivable		209
Prepaid assets		24,529
Other assets		2,843
Total current assets		462,649

Noncurrent Assets

Long-term investments		5,000
Land, buildings and equipment (net)		678,588
Total noncurrent assets		683,588

TOTAL ASSETS

\$ 1,146,237

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	82,046
Deferred revenue		37,960
Accrued payroll and related liabilities		103,960
Total current liabilities		223,966

Total liabilities

223,966

Net Assets

Unrestricted		922,271
		922,271

TOTAL LIABILITIES AND NET ASSETS

\$ 1,146,237

The accompanying independent auditor's report and notes are integral parts of this statement.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

Changes in Unrestricted Net Assets

Unrestricted Revenues and Support

Net patient service revenue	\$ 1,865,306
School-based health center funding (WVDHHR)	61,117
Grant revenue	860,514
EHR incentive payments	68,000
Other revenue	12,608
Donated facilities	<u>33,000</u>
Total unrestricted revenues and support	<u>2,900,545</u>

Expenses

Salaries and wages	1,971,542
Payroll taxes and employee benefits	344,234
Purchased services	24,023
Supplies	198,211
Depreciation	137,111
Insurance	8,965
Legal and accounting	32,405
Repairs and maintenance	113,472
Facility rent and utilities	49,372
Telephone	120,335
Interest	3,292
Advertising and promotions	23,358
Provision for uncollectible accounts	54,561
Donated facilities	33,000
Other	<u>85,884</u>
Total expenses	<u>3,199,765</u>

Excess(deficiency) of revenues and support over expenses before other income and (expenditures)	(299,220)
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RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

Other Income and (Expenditures)	
Primary care deficit funding	\$ 178,408
Investment income	<u>23,625</u>
Total other income and (expenditures)	<u>202,033</u>
Change in unrestricted net assets	(97,187)
Net assets - unrestricted July 1, (restated)	<u>1,019,458</u>
Net assets - unrestricted June 30,	<u>\$ 922,271</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013

Cash Flows from Operating Activities

Change in unrestricted net assets	\$ (97,187)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	137,111
Provision for uncollectible accounts	54,561
Changes in operating assets and liabilities:	
Decrease (increase) in accounts receivable, net	(37,721)
Decrease (increase) in settlements due from third-party payors	(88,545)
Decrease (increase) in grants receivable	144,192
Decrease (increase) in prepaid assets	4,300
Decrease (increase) in other assets	(1,665)
Increase (decrease) in accounts payable	46,920
Increase (decrease) in deferred revenue	(72,040)
Increase (decrease) in accrued payroll and related liabilities	<u>(23,976)</u>
Net cash provided by (used in) operating activities	<u>65,950</u>

Cash Flows from Investing Activities

Property and equipment acquisitions	<u>(158,437)</u>
Net cash provided by (used in) investing activities	<u>(158,437)</u>

Increase (decrease) in cash (92,487)

Cash at beginning of year 137,261

Cash at end of year \$ 44,774

Supplemental Disclosures for Cash Flow Information

Cash paid during the year for interest \$ 3,292

The accompanying independent auditor's report and notes are integral parts of this statement.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Organization

Ritchie County Primary Care Assoc., Inc., (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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates of the financial statements include the allowance for doubtful accounts and the useful lives of fixed assets.

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.

Accounts Receivable, net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable account receivable. The allowance for uncollectible accounts at June 30, 2013 was \$119,000.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Advertising and Interest Costs

All advertising and interest costs incurred during the year ended June 30, 2013 have been expensed.

Property and Equipment

Property and equipment are reported at cost for purchased items and at fair value for contributed items. Depreciation is computed by the straight-line method based on estimated useful lives. The Association's policy is to capitalize assets whose expected life is in excess of one year and cost (or fair value) is above a threshold established by the Board. Equipment acquired under capital lease is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Normal repairs and maintenance are expensed, whereas significant improvements which materially increase values or extend useful lives are capitalized and depreciated. Upon sale or retirement, the related cost and accumulated depreciation of capitalized assets are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support 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 contributions. 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 temporarily restricted net assets are reclassified to unrestricted net assets at that time.

The Association reviews its investment in property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may be recoverable. Recoverability is measured by a comparison of the carrying amount of the property to the future net undiscounted cash flow expected to be generated by the property including any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There was no impairment loss recognized in 2013.

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. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Donor Restrictions

Unconditional promises to give cash and other assets to the Association are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

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, therefore, significantly impact 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 the financial statements. Discontinuance of support from these sources could also significantly impact operations.

Patient service revenue is primarily limited to services provided to residents in Ritchie and Doddridge Counties, West Virginia, and the surrounding communities. General economic conditions in the areas significantly influence the Association's ability to collect fees for services rendered.

Net Patient Service Revenue

The Association has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Association has included in net patient service revenues adjustments of approximately \$117,690 in 2013 related to its estimates of the ultimate settlement under these third-party arrangements. The Association has also recognized a receivable for the estimated settlements due from third-party payors totaling \$210,255 at June 30, 2013.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Income Taxes

The Association is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code. All required federal business income tax returns for the Association have been filed up to, and including, the tax year ended June 30, 2012. The Association's federal income tax returns for the fiscal years ended June 30, 2012, 2011, and 2010 remain subject to examination by the Internal Revenue Service ("IRS").

Pension Plan

The Association sponsors a defined contribution pension plan covering substantially all of its employees. The employees may make tax deferred contributions to the plan. Under the plan, the Association makes a matching contribution in an amount equal to 100% of the employees' contributions that are not in excess of 4% of compensation, limited to \$1,000 annually. Pension costs for 2013 were \$30,794.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Accounts Receivable

Accounts receivable and the allowances for contractual allowances and uncollectible accounts consist of the following at June 30, 2013:

	2013
Gross patient receivable	\$ 375,706
Less: Allowance for uncollectible accounts	(119,000)
Allowance for contractual adjustments	<u>(76,667)</u>
Accounts receivable, net	<u>\$ 180,039</u>

3. Prepaid Assets

Prepaid assets consist of the following at June 30, 2013:

Pension contribution overpayment	\$ 11,912
Prepaid rent	8,000
Insurance	3,943
Maintenance Contracts	<u>674</u>
	<u>\$ 24,529</u>

4. Long-term Investments

Long-term investments consist of an equity interest in a health care corporation for which there is no readily determinable fair value. The investment is carried at cost of \$5,000 at June 30, 2013. Investment income for the year ending June 30, 2013 consists of dividends of \$23,625.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. Land, Buildings and Equipment

The following is a summary of land, buildings, and equipment at June 30, 2013:

Building and improvements	\$ 1,059,420
Furniture and fixtures	312,423
Equipment	329,302
Construction in process	<u>11,957</u>
	1,713,102
Less accumulated depreciation	<u>(1,034,514)</u>
Total	<u>\$ 678,588</u>

Depreciation expense was \$137,111 for the year ended June 30, 2013.

6. 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, 2013, the outstanding balance amounted to \$-0-. The line is secured by all accounts and equipment.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. 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). During the year ended June 30, 2013, the Association received \$61,117 to operate the school-based health programs.

11. Federal 330 Grant Funding

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 expended \$641,740 in Federal 330 funding for the year ended June 30, 2013.

12. Operating Leases

The Association leases space in the former Ritchie County High School building, located in the Town of Harrisville. Total rental payments for this space for the year ended June 30, 2013 was \$-0-, as \$14,000 was applied to rent expense from prepaid rent. Total rental payments related to the health care center operated in Doddridge County, West Virginia for the year ended June 30, 2013 totaled \$15,000. The lease agreement for the Doddridge County center expired in January 2013 and is now being rented on a month-to-month basis. The following is a schedule by years of future minimum lease payments under the Association's operating leases which have remaining non-cancelable lease terms in excess of one year as of June 30, 2013:

	<u>Ritchie County</u>	<u>Doddridge County</u>	<u>Total</u>
2014	\$ 24,000	\$ -	\$ 24,000
2015	24,000	-	24,000
2016	24,000	-	24,000
2017	24,000	-	24,000
2018	20,000	-	20,000
Thereafter	-	-	-
	<u>\$ 116,000</u>	<u>\$ -</u>	<u>\$ 116,000</u>

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

13. Donated Goods, Materials and Facilities

The Association 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. The Association provides services within the school systems of Ritchie, Pleasants, and Wood counties. The use of these facilities has been donated to the Association. The amount of donated facilities for the year ended June 30, 2013 was \$33,000.

14. Classification of Expenses

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 general and administrative.

General and administrative	\$ 597,173
Primary care services	<u>2,602,592</u>
	<u>\$ 3,199,765</u>

15. Malpractice Insurance

The Association's employees are covered by the Federal Tort Claims Act, and therefore, no separate professional liability insurance is carried by the Association. Pursuant to Section 224 of the Public Health Services Act, the Federal Tort Claims Act covers alleged negligent medical care during the performance of services of FQHC's when performing covered services at covered facilities.

16. Subsequent Events

The Association's management evaluated the effect subsequent events would have on the financial statements through December 30, 2013, which is the date the financial statements were available to be issued.

17. Charity Care

The amount of estimated charity care costs for the year ended June 30, 2013 totaled \$450,865. The estimated costs were calculated based upon a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated care charges associated with providing care to charity patients.

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

18. Restatement of Net Assets

It was determined during the audit that the net assets at the beginning of the year ended June 30, 2012 required restatement as follows:

	<u>Unrestricted</u>
Net assets, beginning of the year	\$ 882,060
Restatements	
Overstatement of accounts receivable, net	(101,479)
Understatement of settlements due from third-party payors	121,710
Understatement of grants receivable	144,401
Understatement of prepaid assets	22,000
Understatement of long-term investments	5,000
Understatement of accrued payroll and related taxes	<u>(54,234)</u>
Net assets, beginning of the year, restated	<u>\$ 1,019,458</u>

The accompanying independent auditor's report is an integral part of these notes.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services			
Direct Programs:			
Consolidated Health Centers (Community Health Centers)			
ACA Grants for New and Expanded Consolidated Health Centers	93.527 93.224	n/a n/a	\$ 259,422 <u>382,318</u>
<i>Total Consolidated Health Centers (Community Health Centers)</i>			<u>641,740</u>
Total Health Centers Cluster			<u>641,740</u>
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	n/a	
ACA Grants for School-Based Health Centers Capital Program			<u>172,518</u>
<i>Total Affordable Care Act (ACA) Grants for School- Based Health Center Capital Expenditures</i>			<u>172,518</u>
Total Department of Health and Human Services Direct Programs			<u>814,258</u>

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Passed-through Programs:			
West Virginia Primary Care Association Inc. - National Bioterrorism Hospital Preparedness Program <i>Total National Bioterrorism Hospital Preparedness Program</i>	93.889	n/a	\$ <u>11,956</u> <u>11,956</u>
Total Department of Health and Human Services Passed-through Programs			<u>11,956</u>
Total U.S. Department of Health and Human Services			<u>\$ 826,214</u>
Total Expenditures of Federal Awards			<u>\$ 826,214</u>

Note A – Basis of Presentation

The schedule of expenditures of Federal awards includes the federal grant activity of the Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of the basic financial statements.

The accompanying independent auditor's report and notes are integral parts of this schedule.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

<u>Identifying State Grant Information</u>	<u>Period of Time</u>	<u>Amount of Award</u>	<u>Receipt of Funds</u>	<u>Expenditures of Funds</u>
DHHR – Uncompensated Care #G130051	07/01/12 - 06/30/13	\$ 178,408	\$ 178,408	\$ 178,408
DHHR – School-based #G130051	07/01/12 - 06/30/13	61,117	<u>61,117</u>	<u>61,117</u>
Total			<u>\$ 239,525</u>	<u>\$ 239,525</u>

The accompanying independent auditor's report and notes are integral parts of this schedule.



**INDEPENDENT AUDITOR'S 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***

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

We have audited, in accordance with the 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, the financial statements of Ritchie County Primary Care Assoc., Inc. (a nonprofit organization), which comprise the balance sheet as of June 30, 2013, and the related statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ritchie County Primary Care Assoc., Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Assoc., Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items #2013-01, #2013-02, #2013-03, and #2013-04.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies as items #2013-05 and #2013-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ritchie County Primary Care Assoc., 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 that are required to be reported under *Government Auditing Standards*.

Ritchie County Primary Care Association's Response to Findings

Ritchie County Primary Care Assoc., Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ritchie County Primary Care Assoc., Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tetuck & Bartlett, PLLC

December 30, 2013



Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

122 N Oak St • PO Box 1916 • Clarksburg WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • www.tetrickbartlett.com
1517 Mary Lou Retton Drive • Fairmont, WV 26554 • (304) 366-2992 • Fax: (304) 366-2370

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Ritchie County Primary Care Assoc., Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ritchie County Primary Care Assoc., Inc.'s major federal programs for the year ended June 30, 2013. Ritchie County Primary Care Assoc., Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ritchie County Primary Care Assoc., Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Assoc., 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Ritchie County Primary Care Assoc., Inc.'s compliance.

Basis for Qualified Opinion on ACA Grants for New and Expanded and Consolidated Health Centers

As described in the accompanying schedule of findings and questioned costs, Ritchie County Primary Care Assoc., Inc. did not comply with requirements regarding CFDA 93.527 ACA Grants for New and Expanded and CFDA 93.224 Consolidated Health Centers as described in finding #13-07 for Program Income. Compliance with such requirements is necessary, in our opinion, for Ritchie County Primary Care Assoc., Inc. to comply with the requirements applicable to that program.

Qualified Opinion on ACA Grants for New and Expanded and Consolidated Health Centers

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Ritchie County Primary Care Assoc., Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on ACA Grants for New and Expanded and Consolidated Health Centers for the year ended June 30, 2013.

Other Matters

Ritchie County Primary Care Assoc., Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ritchie County Primary Care Assoc., Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Ritchie County Primary Care Assoc., Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ritchie County Primary Care Assoc., Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Ritchie County Primary Care Assoc., Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

T. Tuck & Bartlett, PLLC

December 30, 2013

**RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified Opinion

Internal control over financial reporting:

Material weakness identified?	<u> X </u> yes	<u> </u> no
Significant deficiency identified?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness identified?	<u> </u> yes	<u> X </u> no
Significant deficiency identified?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs:

Qualified Opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

<u> X </u> yes	<u> </u> no
----------------------	----------------------

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.527	ACA Grants for New and Expanded
93.224	Consolidated Health Centers

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
----------------------------------------	-----------------------	---------------------

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (CONT'D)

B. Findings - Financial Statements Audit

	<u>Questioned Costs</u>
#2013-01 Segregation of Duties in Cash Receipts Process	\$-0-
<p>Criteria: Control systems should be implemented to assign different individuals the responsibility for approving, executing and recording transactions in order to properly detect and correct fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse having an effect on the financial statements.</p>	
<p>Condition: Control systems have not been implemented to assign different individuals the responsibility for approving, executing and recording transactions.</p>	
<p>Cause: One individual has the responsibility of opening the mail known to contain patient payments, depositing those payments, and recording the payments to the patients' accounts.</p>	
<p>Effect: Because of the failure to segregate duties, the control system could fail to prevent, or detect and correct fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse having an effect on the financial statements.</p>	
<p>Recommendation: Responsibilities of approval, execution, recording and custody should be distributed among personnel to the degree possible. We recommend that an individual without the ability to post payments and adjustments to patient accounts be given the responsibility of opening the mail and depositing cash receipts.</p>	
<p>Entity's Response: Management agrees with this recommendation. An individual without the ability to post payments and adjustments to patient accounts be given the responsibility of opening the mail and depositing cash receipts.</p>	

**RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (CONT'D)**

	<u>Questioned Costs</u>
#2013-02 Recording of Cash Receipts to the General Ledger System	\$-0-
<p>Criteria: Controls over recording cash receipts should prevent or detect material misstatements in operational results so that it is not necessary to make significant corrections or adjustments to those results.</p> <p>Condition: The control system failed to prevent or detect a material misstatement identified by the auditor.</p> <p>Cause: The recording of cash receipts to the general ledger were based upon reports of patient payments in the patient accounts receivable system rather than posting cash receipts based upon actual deposits.</p> <p>Effect: Patient accounts receivable and patient revenue was overstated due to the timing difference of the actual cash receipts and the posting of the payments to the accounts receivable system. This misstatement was corrected with an audit adjustment proposed by the auditor and accepted by management.</p> <p>Recommendation: We recommend that the recording of cash receipts to the general ledger system be based upon actual deposits.</p> <p>Entity's Response: Management agrees with this recommendation and will implement a control system to record cash receipts to the general ledger system based upon actual deposits.</p>	
#2013-03 Settlements Due from Third-Party Payors	\$-0-
<p>Criteria: Controls over recording and reconciling the settlements due from third-party payors should prevent or detect material misstatements in operational results so that it is not necessary to make significant corrections or adjustments to those results.</p> <p>Condition: The control system failed to prevent or detect a material misstatement identified by the auditor.</p> <p>Cause: The settlements due from third-party payors were not recorded and there is no process in place to determine that settlements due from third-party payors have been collected.</p>	

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (CONT'D)

Questioned
Costs

Effect: The settlements due from Medicaid for multiple years were not collected and were not recorded. Management was also unaware of this amount due to the Association. This misstatement was corrected with an audit adjustment proposed by the auditor and accepted by management.

Recommendation: We recommend that the Association implement a control system to record and reconcile the settlements due from third-party payors.

Entity's Response: Management agrees with this recommendation and will implement a control system to record and reconcile the settlements due from third-party payors.

#2013-04 Accrued Paid Time Off

\$-0-

Criteria: Controls over calculating and recording accrued paid time off should prevent or detect material misstatements in operational results so that it is not necessary to make significant corrections or adjustments to those results.

Condition: The control system failed to prevent or detect a material misstatement identified by the auditor.

Cause: The accrued paid time off balance did not agree with management's calculation of accrued paid time off. Furthermore, there is no process in place to review the accrued paid time off calculation.

Effect: The accrued paid time off liability was materially understated. This misstatement was corrected with an audit adjustment proposed by the auditor and accepted by management.

Recommendation: We recommend that the Association implement a control system to review the accrued paid time off calculation and agreement with the liability account balance.

Entity's Response: Management agrees with this recommendation and will implement a control system to review the accrued paid time off calculation and agreement with the liability account balance.

**RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (CONT'D)**

	<u>Questioned Costs</u>
#2013-05 Accounts Payable	\$-0-
<p>Criteria: Controls over identifying and recording payables to vendors should prevent or detect misstatements in operational results so that it is not necessary to make significant corrections or adjustments to those results.</p>	
<p>Condition: The control system failed to identify and record payables to vendors identified by the auditor.</p>	
<p>Cause: The control system does not include a process to ensure vendor invoices are recorded in the proper period.</p>	
<p>Effect: Multiple vendor invoices due as of the balance sheet date were not included in accounts payable and expenses resulting in an understatement of accounts payable and expenses. This misstatement was corrected with an audit adjustment proposed by the auditor and accepted by management.</p>	
<p>Recommendation: We recommend that the Association implement a control system that includes a process to ensure vendor invoices are recorded in the proper period.</p>	
<p>Entity's Response: Management agrees with this recommendation and will implement a control system that includes a process to ensure vendor invoices are recorded in the proper period.</p>	
#2013-06 Employer Pension Contributions	\$-0-
<p>Criteria: Controls over calculating and funding employer pension contributions should prevent or detect misstatements in operational results so that it is not necessary to make significant corrections or adjustments to those results.</p>	
<p>Condition: The control system failed to identify employer matching contributions to the Association's pension plan were not in accordance with the Plan document.</p>	
<p>Cause: The control system does not include a process to ensure employer matching contributions to the Association's pension plan were not in accordance with the Plan document.</p>	

**RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (CONT'D)**

Questioned
Costs

Effect: Excess employer matching contributions were made to Association's pension plan. This misstatement was corrected with an audit adjustment proposed by the auditor and accepted by management.

Recommendation: We recommend that the Association implement a control system that includes a process to ensure employer matching contributions to the Association's pension plan were not in accordance with the Plan document.

Entity's Response: Management agrees with this recommendation and will implement a control system that includes a process to ensure employer matching contributions to the Association's pension plan were not in accordance with the Plan document.

C. Findings and Questioned Costs – Major Federal Award Programs Audited

#2013-07 Program Income

U.S. Department of Health and Human Services

Health Center Cluster

Consolidated Health Centers (Community Health Centers)

ACA Grants for New and Expanded – CFDA #93.527

Consolidated Health Centers – CFDA #93.224

\$-0-

Criteria: Federally Qualified Health Centers are required to offer services regardless of ability to pay and must use a sliding fee with discounts based on family size and income in accordance with the federal poverty guidelines.

Condition: We noted during our audit two instances in which the sliding fee discount applied to the charges were less than the calculated discounts in accordance with the Association's policy.

Cause: Association personnel rely on the billing system to properly calculate and apply the sliding fee discounts without performing an independent verification.

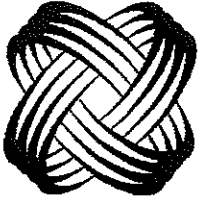
RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (CONT'D)

Questioned
Costs

Effect: Because the billing system did not properly calculate and apply the sliding fee discounts and because there was no independent verification of the sliding fee discounts applied, some patients were charged more for services than was appropriate under the sliding fee program.

Recommendation: We recommend that Association personnel perform an independent verification of the sliding fee discounts calculated and applied by the billing system.

Entity's Response: Management agrees with this recommendation and will implement independent verifications of the sliding fee discounts.



RITCHIE
REGIONAL HEALTH CENTER

ADMINISTRATIVE OFFICE

P.O. Box 373

Harrisville, WV 26362

(304) 643-4005 • (304) 643-4007 fax

December 30, 2013

CORRECTIVE ACTION PLAN

U.S. Department of Health and Human Services

Ritchie County Primary Care Assoc., Inc. respectfully submits the following correction action plan for the year ended June 30, 2013. Name and address of independent public accounting firm: Tetrick & Bartlett, PLLC, P.O. Box 1916, Clarksburg, WV 26302-1916. Audit period: July 1, 2012 through June 30, 2013.

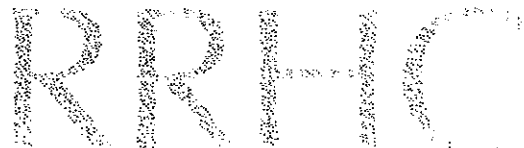
The findings from the June 30, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. Findings – Financial Statement Audit

	<u>Questioned Costs</u>
#2013-01 Segregation of Duties in Cash Receipts Process	\$-0-

Recommendation: Responsibilities of approval, execution, recording and custody should be distributed among personnel to the degree possible. We recommend that an individual without the ability to post payments and adjustments to patient accounts be given the responsibility of opening the mail and depositing cash receipts.

Entity's Response: Management agrees with this recommendation. An individual without the ability to post payments and adjustments to patient accounts be given the responsibility of opening the mail and depositing cash receipts.



WEST UNION
117 West Main St., P.O. Box 181
West Union, WV 26456
304-873-1401

ELLENBORO
at Ritchie County High School
107 School Road
Ellenboro, WV 26346
304-869-3650

ST. MARYS
at St. Marys High School
1002 2nd St.
St. Marys, WV 26170
1-855-552-8907

PARKERSBURG
at Jefferson Elementary
1200 Stephenson Avenue
Parkersburg, WV 26101
304-699-0506

PARKERSBURG
at Parkersburg South High School
1513 Blizzard Drive
Parkersburg, WV 26101
304-699-0809

Questioned
Costs**#2013-02 Recording of Cash Receipts to the General Ledger System**

\$-0-

Recommendation: We recommend that the recording of cash receipts to the general ledger system be based upon actual deposits.

Entity's Response: Management agrees with this recommendation and will implement a control system to record cash receipts to the general ledger system based upon actual deposits.

#2013-03 Settlements Due from Third-Party Payors

\$-0-

Recommendation: We recommend that the Association implement a control system to record and reconcile the settlements due from third-party payors.

Entity's Response: Management agrees with this recommendation and will implement a control system to record and reconcile the settlements due from third-party payors.

#2013-04 Accrued Paid Time Off

\$-0-

Recommendation: We recommend that the Association implement a control system to review the accrued paid time off calculation and agreement with the liability account balance.

Entity's Response: Management agrees with this recommendation and will implement a control system to review the accrued paid time off calculation and agreement with the liability account balance.

#2013-05 Accounts Payable

\$-0-

Recommendation: We recommend that the Association implement a control system that includes a process to ensure vendor invoices are recorded in the proper period.

Entity's Response: Management agrees with this recommendation and will implement a control system that includes a process to ensure vendor invoices are recorded in the proper period.

Questioned
Costs

#2013-06 Employer Pension Contributions

\$-0-

Recommendation: We recommend that the Association implement a control system that includes a process to ensure employer matching contributions to the Association's pension plan were not in accordance with the Plan document.

Entity's Response: Management agrees with this recommendation and will implement a control system that includes a process to ensure employer matching contributions to the Association's pension plan were not in accordance with the Plan document

C. Findings and Questioned Costs – Major Federal Award Program Audit

#2013-07 Program Income

U.S. Department of Health and Human Services

Health Center Cluster

Consolidated Health Centers (Community Health Centers)

ACA Grants for New and Expanded – CFDA #93.527

Consolidated Health Centers – CFDA #93.224

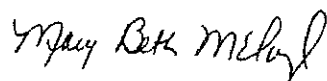
\$-0-

Recommendation: We recommend that Association personnel perform an independent verification of the sliding fee discounts calculated and applied by the billing system.

Entity's Response: Management agrees with this recommendation and will implement independent verifications of the sliding fee discounts.

If the U.S. Department of Health and Human Services has questions regarding this plan, please contact Mary Beth McDougal, Chief Financial Officer at (304) 643-4005.

Sincerely yours,



Mary Beth McDougal
Chief Financial Officer
Ritchie County Primary Care Assoc., Inc.

RITCHIE COUNTY PRIMARY CARE ASSOC., INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
FOR THE YEAR ENDED JUNE 30, 2013

Summary Schedule of Prior Audit Findings

Reference Number

Questioned
Costs

#12-4 Noncompliance

U.S. Department of Health and Human Services

Health Center Cluster

Consolidated Health Centers (Community Health Centers)

ACA Grants for New and Expanded – CFDA #93.527

Consolidated Health Centers – CFDA #93.224

\$-0-

Condition: The Center is required to offer services regardless of ability to pay. As a Federally Qualified Health Center, the Center must use a sliding fee scale with discounts based on patient family size and income in accordance with the federal poverty guidelines. The prior examination of the assigned sliding fee scale disclosed several instances where the applied sliding fee was not properly determined in accordance with federal poverty income guidelines. Of the 60 assigned sliding fees that were examined, 7 had not been calculated in accordance with the Center’s policy which resulted in an incorrect sliding fees being assigned and thirteen of the sliding fees examined did not have documentation to support the annual income.

Recommendation: The prior auditors recommended that the Center review and revise their policies and procedures related to the review and approval of the assigned sliding fee discounts.

Current Status: The condition of the sliding fee discount not calculated in accordance with the Association’s policy still exists as of June 30, 2013 and has been repeated as finding #13-07. The remaining portion of the condition was not considered a finding for the current year.



Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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1517 Mary Lou Retton Drive • Fairmont, WV 26554 • (304) 366-2992 • Fax: (304) 366-2370

December 30, 2013

To the board members of
Ritchie County Primary Care Assoc., Inc.

We have audited the financial statements of Ritchie County Primary Care Assoc., Inc. for the year ended June 30, 2013, and have issued our report thereon dated December 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated May 24, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ritchie County Primary Care Assoc., Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the contractual and bad debt allowances for accounts receivable is based on management's evaluation of the collectability of the receivables including historical collection rates. We evaluated the key factors and assumptions used to develop the contractual and bad debt allowances for accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Also attached is a report of all journal entries made by management as a result of audit procedures. Entries #1, #6, #8, #9, #11, #12, #14, #15, #19, and #21 were material misstatements, either individually or in the aggregate.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Ritchie County Primary Care Assoc., Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Tetrick & Bartlett, PLLC

Tetrick & Bartlett, PLLC

attachments

DHHR - Finance

MAR 18 2014

~~Date~~ Received

Ritchie County Primary Care Association
Uncorrected misstatements
June 30, 2013

Understatement of prepaid expenses at the beginning of year	(1,334)
Understatement of accounts payable at the beginning of year	4,954
Understatement of accrued payroll at the beginning of year	2,331
Overstatement of other assets at beginning of year	418
Understatement of pension contribution overpayment at beginning of year	<u>(4,264)</u>
Net effect of uncorrected misstatements to net income	<u><u>2,105</u></u>

Client: **27011 - Ritchie County Primary Care Association**
 Engagement: **Ritchie County Primary Care Association 2013**
 Period Ending: **6/30/2013**
 Trial Balance: **TB - Trial Balance**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust Health Center Cluster grant revenues per analysis				
3011101	330 Grant Funding		160,559.20	
2230200	Grants Receivable Liability			16,157.75
3900	Retained Earnings			144,401.45
Total			160,559.20	160,559.20
Adjusting Journal Entries JE # 2				
To adjust grant receivable and payable accounts per analysis and reclassify capital grant income				
1020017	330 Funding- S. Parkersburg		90.88	
2230200	Grants Receivable Liability		824,318.48	
3003300	Revenue Adjustment		118,822.03	
1020005	Grants Receivable			126,146.66
1020010	330 Grant Receivable			197,755.58
1020027	330 Funding Dodd School Based			500,000.00
251000	Acct Rec. Balancing account			298.00
3011017	Grant money for SPburg			119,031.15
Total			943,231.39	943,231.39
Adjusting Journal Entries JE # 3				
To adjust for voided checks listed as outstanding				
1003001	RCPCA Checking		5,185.61	
3900	Retained Earnings			3,268.28
4202301	Office Supplies RCPCA			1,917.33
Total			5,185.61	5,185.61
Adjusting Journal Entries JE # 4				
To reclassify meaningful use incentive payments and cost report settlement receipts				
3000001	RCPCA Medicaid Revenue		38,845.00	
3000002	SBHC Medicaid Revenue		3,442.50	
3000003	Medicaid Revenue PCSBHC		2,295.00	
3000004	Medicaid Revenue Jefferson		4,590.00	
3000006	Medicaid Revenue Doddridge		16,915.00	
3000007	Medicaid Revenue S-Purg		1,912.50	
3001001	RCPCA Medicare Fees		29,145.00	
3020001	Meaningful Use Incentive			68,000.00
3020002	Cost Settlement - Medicare			29,145.00
Total			97,145.00	97,145.00
Adjusting Journal Entries JE # 5				
To adjust prepaid expenses per analysis				
4201201	Insurance General RCPCA		2,306.72	
1150001	Prepaid Malpractice Insur. RCP			821.92
4100201	Workers Compensation RCPCA			1,484.80
Total			2,306.72	2,306.72
Adjusting Journal Entries JE # 6				
To adjust for WVFHP stock purchase expensed in prior years				
1010001	Investment in WVFHP		5,000.00	
3900	Retained Earnings			5,000.00
Total			5,000.00	5,000.00
Adjusting Journal Entries JE # 7				
To correct bad debt expense based on change in Collections Financial Class in EMR				
3003300	Revenue Adjustment		123,617.17	

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Account	Description	W/P Ref	Debit	Credit
6560000	Bad Debt Expense			123,617.17
Total			123,617.17	123,617.17
Adjusting Journal Entries JE # 8				
To adjust for 06 30 12 accounts receivable overstatement due to cash receipt posting timing differences				
3900	Retained Earnings		101,478.73	
3003300	Revenue Adjustment			101,478.73
Total			101,478.73	101,478.73
Adjusting Journal Entries JE # 9				
To adjust accounts receivable at 06 30 13 for cash receipt posting timing differences				
3003300	Revenue Adjustment		26,032.54	
1020001	RCPCA Accounts Receivable			26,032.54
Total			26,032.54	26,032.54
Adjusting Journal Entries JE # 10				
To reclassify allowance for contractual adjustments and bad debt expense per analysis				
1020003	Allowance for Doubtful Account		80,336.71	
3003300	Revenue Adjustment		2,000.00	
1020002	Allowance for Contractual Adjustments			80,336.71
6560000	Bad Debt Expense			2,000.00
Total			82,336.71	82,336.71
Adjusting Journal Entries JE # 11				
To adjust for prior year overstatement of a/r allowances due to cash receipt timing differences				
3003300	Revenue Adjustment		12,969.00	
3900	Retained Earnings			12,969.00
Total			12,969.00	12,969.00
Adjusting Journal Entries JE # 12				
To adjust a/r allowance for contractual adjustments for c/r timing differences				
1020002	Allowance for Contractual Adjustments		3,670.00	
3003300	Revenue Adjustment			3,670.00
Total			3,670.00	3,670.00
Adjusting Journal Entries JE # 13				
To adjust for auditor identified payables (reverse in FYE 06 30 14)				
3002006	Insurance Revenue Doddridge		575.00	
4000101	Contractual Labor RCPCA		1,296.00	
4200101	Audit Fees RCPCA		3,528.35	
4200101	Audit Fees RCPCA		6,385.75	
4200102	Audit fees SBHC		622.65	
4200103	Audit fees PCSBHC		415.09	
4200104	Audit fees Jefferson		830.20	
4200105	Audit fees Doddridge		1,522.03	
4201104	Bio Hazard Jefferson		365.88	
4201626	Dental Expense Doddridge		1,679.25	
4201901	Maint Contract Software RCPC		87.81	
4202124	Janitorial Expense Jefferson		806.18	
4202126	Janitorial Supplies - Doddridg		67.82	
4202127	Janitor supplies-S.Pburg		1,154.50	
4202301	Office Supplies RCPCA		116.66	
4203106	Rent Doddridge		2,500.00	
4203207	Taxes and License S. Pburg		856.00	
4203401	Travel Expense RCPCA		105.00	
2000130	Auditor identified accounts payable			20,848.85

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Account	Description	W/P Ref	Debit	Credit
4100301	Health Insurance RCPCA			2,065.32
Total			22,914.17	22,914.17

Adjusting Journal Entries JE # 14

To reclassify dividend income from WVFHP

3009100	Miscellaneous Revenue		23,624.78	
3300000	Dividend income			23,624.78
Total			23,624.78	23,624.78

Adjusting Journal Entries JE # 15

To record PPA for Accrued PTO difference

3900	Retained Earnings		62,818.78	
4002001	M.A. Salary RCPCA		51.00	
4002006	MA DODDRIDGE		0.20	
4003001	Administrator Salary RCPCA		260.33	
4000001	Physician Salary ADM			14,460.96
4000006	Physician Doddridge			4,846.36
4000103	Mid Level Provider PC			6,520.85
4000106	Physician-Dentist			5,775.89
4000501	Mid Level Salary RCPCA			2,682.72
4000502	Mid Level Physician SBHC			5,307.48
4000504	Mid-level Practioner Jefferson			3,076.80
4001011	Rad Tech Salary RCPCA			736.68
4001501	LPN Salary RCPCA			192.34
4001501	LPN Salary RCPCA			509.60
4001502	LPN Salary SBHC			2,138.44
4001503	LPN Salaries PCHC			2,289.62
4001506	LPN Doddridge			1,406.10
4001616	Dental Hygenist			631.04
4002006	MA DODDRIDGE			2.18
4002006	MA DODDRIDGE			39.96
4003001	Administrator Salary RCPCA			3.10
4003001	Administrator Salary RCPCA			1,322.75
4003001	Administrator Salary RCPCA			2,495.11
4003006	Clerical Doddridge			924.18
4003026	Administration Doddridge			577.86
4004001	Clerical Salary RCPCA			1.93
4004001	Clerical Salary RCPCA			420.89
4004002	Clerical Salary SBHC			919.00
4010001	Physician-Psychologist			5,832.00
4010011	IT Manager			16.47
Total			63,130.31	63,130.31

Adjusting Journal Entries JE # 16

To adjust accrued PTO at 6/30/13 per analysis

4000001	Physician Salary, ADM		7,692.00	
4000103	Mid Level Provider PC		4,964.26	
4000106	Physician-Dentist		3,461.40	
4000502	Mid Level Physician SBHC		4,148.31	
4000504	Mid-level Practioner Jefferson		832.52	
4000507	Nurse Practioner S Pburg		0.73	
4001011	Rad Tech Salary RCPCA		2,208.22	
4001501	LPN Salary RCPCA		784.81	
4001503	LPN Salaries PCHC		1,479.60	
4002006	MA DODDRIDGE		2.25	
4003001	Administrator Salary RCPCA		673.00	
4003001	Administrator Salary RCPCA		1,416.22	
4003001	Administrator Salary RCPCA		1,417.50	
4003001	Administrator Salary RCPCA		3,352.21	

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Account	Description	W/P Ref	Debit	Credit
4004001	Clerical Salary RCPCA		1,820.91	
4010001	Physician-Psychologist		3,528.00	
4010011	IT Manager		834.27	
2100001	Accrued PTO			37,807.33
4001501	LPN Salary RCPCA			46.84
4003001	Administrator Salary RCPCA			731.90
4003006	Clerical Doddridge			0.17
4004004	CLERICAL-JEFFERSON			29.97
Total			38,616.21	38,616.21

Adjusting Journal Entries JE # 17

To adjust for receivable for excess employer contributions to pension plan

1020013	A/R - Pension contribution overpayment		11,912.02	
4100351	Retirement Contribution RCPCA			11,912.02
Total			11,912.02	11,912.02

Adjusting Journal Entries JE # 18

To adjust for beginning of year overaccrual for payroll taxes

4000001	Physician Salary ADM		700.00	
4000002	SBHC Physician		16.00	
4000003	PCHC Physician		152.00	
4000004	Physician Jefferson		280.00	
4000006	Physician Doddridge		578.00	
4000007	Physicians-S.Pburg		82.00	
4000011	Mid Level Provider		2.00	
4000103	Mid Level Provider PC		367.00	
4000106	Physician-Dentist		523.00	
4000501	Mid Level Salary RCPCA		143.00	
4000502	Mid Level Physician SBHC		342.00	
4000504	Mid-level Practitioner Jefferson		341.00	
4000507	Nurse Practitioner S Pburg		307.00	
4001011	Rad Tech Salary RCPCA		170.00	
4001501	LPN Salary RCPCA		477.00	
4001502	LPN Salary SBHC		154.00	
4001503	LPN Salaries PCHC		155.00	
4001504	LPN Jefferson		263.00	
4001506	LPN Doddridge		117.00	
4001507	LPN-PARKERSBURG SOUTH		140.00	
4001606	MA/DA Doddridge		95.00	
4001616	Dental Hygenist		115.00	
4002001	M A Salary RCPCA		118.00	
4002002	M A Salary SBHC		2.00	
4002004	MA Jefferson		200.00	
4002006	MA DODDRIDGE		96.00	
4002007	MA S Parkersburg		70.00	
4003001	Administrator Salary RCPCA		632.00	
4003002	Administratator Salary SBHC		63.00	
4003003	Administration PCHC		50.00	
4003004	Administration Jefferson		128.00	
4003006	Clerical Doddridge		273.00	
4003007	Admin-S Pburg		69.00	
4003026	Administration Doddridge		91.00	
4004001	Clerical Salary RCPCA		530.00	
4004002	Clerical Salary SBHC		91.00	
4004003	Clerical PCSBHC		2.00	
4004004	CLERICAL-JEFFERSON		114.00	
4004007	Clerical SPburg		54.00	
4004111	Housekeeping Salary		21.00	
4005011	Rad Tech Salary RCPCA		4.00	
4010001	Physician-Psychologist		77.00	

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Account	Description	W/P Ref	Debit	Credit
4010002	Physician-Psychologist RCSBHC		56 00	
4010004	Physician-Psychologist Jeffers		137 00	
4010011	IT Manager		188 11	
3900	Retained Earnings			8,585.11
Total			8,585.11	8,585.11

Adjusting Journal Entries JE # 19

To adjust receivables for cost report settlements per analysis, including PPA

1030001	AR - Medicare Cost Report		8 000 00	
1030002	AR - Medicaid Cost Report		111,710 00	
3020002	Cost Settlement - Medicare		6 000 00	
3020003	Cost Settlement - Medicaid			4 000 00
3900	Retained Earnings			121,710.00
Total			125,710.00	125,710.00

Adjusting Journal Entries JE # 20

For F/S - to reclassify uncompensated care grant revenues

3011007	School based S Pburg		5 592 05	
3010001	WV Uncompensated Grant			5,592.05
Total			5,592.05	5,592.05

Adjusting Journal Entries JE # 21

To adjust medicare and medicaid receivables based upon additional information obtained prior to audit completion

1030001	AR - Medicare Cost Report		7 039 00	
1030002	AR - Medicaid Cost Report		83 506 00	
3020002	Cost Settlement - Medicare			7,039 00
3020003	Cost Settlement - Medicaid			33,306 00
3900	Retained Earnings			50,200.00
Total			90,545.00	90,545.00

Adjusting Journal Entries JE # 22

To adjust for prepaid rent at Harrisville site including PPA for beginning of year prepaid rent

1150002	Prepaid Rent		8 000 00	
4203101	Rent Building RCPCA		14 000 00	
3900	Retained Earnings			22,000.00
Total			22,000.00	22,000.00