



Financial Statements  
December 31, 2011

# Oklahoma Health Information Exchange Trust

Oklahoma Health Information Exchange Trust

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December 31, 2011

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## Independent Auditor's Report

To the Board of Trustees  
Oklahoma Health Information Exchange Trust  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of the governmental activities and the major fund of Oklahoma Health Information Exchange Trust (the Trust), a component unit of the State of Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oklahoma Health Information Exchange Trust's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities and the major fund of Oklahoma Health Information Exchange Trust, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not present fairly the financial position of the State of Oklahoma or the Oklahoma Healthcare Authority as of December 31, 2011, and the changes in their financial position for the year 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 March 12, 2013 on our consideration of the Oklahoma Health Information Exchange Trust'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 audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oklahoma Health Information Exchange Trust's financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Oklahoma City, Oklahoma  
March 12, 2013

Oklahoma Health Information Exchange Trust  
 Governmental Fund Balance Sheet/Statement of Net Assets  
 December 31, 2011

	<u>Special Revenue Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 120,736	\$ -	\$ 120,736
Grant receivable	195,549	-	195,549
Total assets	<u>\$ 316,285</u>	<u>\$ -</u>	<u>\$ 316,285</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	316,285	-	316,285
Due to OHCA	43,203	-	43,203
Deferred revenue	195,549	(195,549)	-
Total current liabilities	555,037	(195,549)	359,488
<b>Fund Balance (Deficit)/Net Assets</b>			
Restricted	(238,752)	195,549	(43,203)
	<u>\$ 316,285</u>	<u>\$ -</u>	<u>\$ 316,285</u>

Oklahoma Health Information Exchange Trust  
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities  
Year Ended December 31, 2011

	<u>Special Revenue Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Expenditures			
Professional fees	\$ 1,059,891	\$ -	\$ 1,059,891
Revenues			
Federal grants	740,602	105,063	845,665
Matching income	171,023	-	171,023
Total operating revenues	<u>911,625</u>	<u>105,063</u>	<u>1,016,688</u>
Excess of expenditures over revenues	(148,266)	105,063	(43,203)
Fund Balance (Deficit)/Net Assets, Beginning of Year	<u>(90,486)</u>	<u>90,486</u>	<u>-</u>
Fund Balance (Deficit)/Net Assets, End of Year	<u>\$ (238,752)</u>	<u>\$ 195,549</u>	<u>\$ (43,203)</u>

## **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Oklahoma Health Information Exchange Trust (the Trust) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### **Reporting Entity**

The State of Oklahoma (the State) passed legislation to approve the creation of a state-beneficiary public trust for the purposes of (1) serving as the State's "qualified state-designated entity" for the purpose of any federal grant money awarded to facilitate and expand the electronic movement and use of health information among organizations according to nationally recognized health standards and (2) to promote, develop, and sustain electronic health information exchange at the state level.

The Trust was organized effective September 20, 2010 with the execution of the related trust indenture. The Trust was created and established for the use and benefit of the State under the provisions of Title 60, Oklahoma Statutes, Section 176 and other applicable statutes and laws of the State. The Trust is governed by a seven-member Board of Trustees, three of which are appointed by the Governor of the State, two appointed by the President Pro Tempore of the State Senate, and two appointed by the Speaker of the State House of Representatives.

Upon the State's award of the Department of Health and Human Services' *State Grant to Promote Health Information Technology* (the Grant) in 2010, the State's qualified state-designated entity for the purpose of the federal grant money was identified as the Oklahoma Health Care Authority (OHCA). Upon creation of the Trust, OHCA subawards the activities and responsibilities of this grant from OHCA to the Trust which represents the Trust's only revenue source for the year ended December 31, 2011. Thus, the Trust serves as the subrecipient of federal funding until the State identifies the Trust as the qualified state-designated entity.

For financial reporting purposes, in conformity with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Trust is included as a discretely presented component unit in the State of Oklahoma's financial statements. These statements present only the activity of the Trust and are not intended to present the financial position and results of operations of the State of Oklahoma in conformity with generally accepted accounting principles.

### **Basis of Accounting**

The Trust's basic financial statements include both government-wide (reporting the Trust as a whole) and fund financial statements (reporting the Trust's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental Activities include programs supported intergovernmental revenue. The Trust does not have any activities classified as business-type activities.

### **Government-Wide Statements**

In the government-wide Statement of Net Assets, the Trust's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Government-wide net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Trust only has restricted net assets which are for the purpose of health information exchange as restricted by the Grant, the Trust's only revenue source for the year ended December 31, 2011.

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide focus is more on the sustainability of the Trust as an entity and the change in the Trust's net assets resulting from the current year's activities. Separate financial statement presentation is provided for the governmental fund.

### **Fund Financial Statements**

The Trust only has one fund which is a special revenue fund, which is a governmental fund type. Governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental fund category.

The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

### **Grant Revenue and Deferred Revenue**

Federal grant revenue represents an important source of funding used to finance the Trust's purpose. A grant receivable is recorded when the Trust has met all eligibility requirements. Additionally, for fund reporting purposes, grant revenue must be considered measurable and available to be recognized in the statement of revenue, expenditures, and changes in fund balance. Deferred revenue arises when potential revenue does not meet the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and grant revenue is recognized under the modified-accrual basis of accounting.



### **Matching Income**

The Grant requires a 10% match to federal funding awarded under the program. In order to provide the federal match, the Trust has negotiated a discount with the Trust's vendors. At the time the expenditure is incurred, the Trust recognizes the full undiscounted amount as an expenditure and the discount as matching income. The Trust recognized \$171,023 as matching income in the form of vendor discounts during 2011.

### **Fund Balance**

The Trust has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Trust is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Trust does not have any funds classified as nonspendable as of December 31, 2011.

**Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Trust has classified all revenue as being restricted because the use is restricted by the applicable grant for all expenditures.

**Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Trust does not have any funds classified as committed as of December 31, 2011.

**Assigned:** This classification includes amounts that are constrained by the Trust's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to members of management. This classification also includes the remaining positive fund balance for all governmental funds. The Trust does not have any funds classified as assigned as of December 31, 2011.

Unassigned: The Unassigned classification would include negative residual fund balance of the governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The Trust does not have any funds classified as assigned as of December 31, 2011.

Although the Trust only has restricted funds at this time, the Trust would typically use restricted fund balances/net assets first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Cash**

The Trust considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. The Trust has no cash equivalents as of December 31, 2011.

**Significant Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

**Note 2 - Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between the fund balance – special revenue fund and net assets as reported in the government-wide statement of net assets. Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. This amount of \$195,549 accounts for the full difference in the statements.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the fund balance – special revenue fund and net assets as reported in the government-wide statement of activities. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. The details of this difference is as follows:

Deferred revenue in prior year	\$ 90,486
Deferred revenue in current year	<u>(195,549)</u>
	<u>\$ (105,063)</u>

**Note 3 - Cash Deposits**

As of December 31, 2011, the book balance and the bank balance of deposits was \$120,736. Of this bank balance, the full amount was covered by FDIC insurance. At times, the Trust’s deposits may exceed insured amounts and the deposits are not collateralized.

**Note 4 - Management Contract**

On behalf of the Trust, OHCA entered into an Administrative Services Agreement with Theodore Management Associates, Inc. (Theodore). Theodore provided general management and accounting services to the Trust during 2011. Under the terms of the Agreement, Theodore receives a per-hour fee ranging from \$75 to \$200. Services from Theodore were ceased after September 2011 and not replaced until after year-end. The total compensation to Theodore for the year ended December 31, 2011 totaled approximately \$147,000, net of a \$59,100 match in the form of a vendor discount. Approximately \$5,400 was due to Theodore as of December 31, 2011.

**Note 5 - Due to Oklahoma Health Care Authority**

As per the Interagency Agreement between the Trust and OHCA dated September 23, 2011, the agreement specified that the Trust owes approximately \$43,000 to OHCA for personnel costs incurred up to the date of the Interagency Agreement. This amount has not been paid to OHCA as of December 31, 2011.

**Note 6 - Insurance/Risk Management**

The Trust is exposed to various risks of loss related to tort claims as well as errors and omissions. The Trust is covered through commercial insurance. Current insurance coverage is summarized as follows:

Directors & Officers Liability	\$	35,000,000
Excess Directors & Officers	\$	15,000,000



Single Audit Section  
December 31, 2011

# Oklahoma Health Information Exchange Trust

Oklahoma Health Information Exchange Trust  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2011

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>	<u>Matching Expenditures</u>	<u>Total Program Expenditures</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES/ Pass Through from the Oklahoma Health Care Authority					
State Grants to Promote Health Information Technology - ARRA	93.719	90HT0035	\$ 845,665	\$ 171,023	\$ 1,016,688

**Note 1 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Trust. The reporting entity is defined in Note 1 to the Trust's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting as described in Note 1 to the Trust's basic financial statements.



CPAs & BUSINESS ADVISORS

**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**

The Board of Trustees  
Oklahoma Health Information Exchange Trust  
Oklahoma City, Oklahoma

We have audited the financial statements of the governmental activities and the major fund of Oklahoma Health Information Exchange Trust (the Trust) as of and for the year ended December 31, 2011, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated March 12, 2013. 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 the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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.

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 as 2011-1 and 2011-2 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oklahoma Health Information Exchange Trust'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*.

Oklahoma Health Information Exchange Trust'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 Oklahoma Health Information Exchange Trust's response and, accordingly, we express no opinion on it.

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

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Oklahoma City, Oklahoma  
March 12, 2013





**Report on Compliance with Requirements That Could Have a Direct  
And Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees  
Oklahoma Health Information Exchange Trust  
Oklahoma City, Oklahoma

**Compliance**

We have audited the compliance of Oklahoma Health Information Exchange Trust's (the Trust) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The Trust's major federal program is 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 its major federal program is the responsibility of the Trust's management. Our responsibility is to express an opinion on the Trust'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 the Trust'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 the Trust's compliance with those requirements.

In our opinion, Oklahoma Health Information Exchange Trust complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

## Internal Control over Compliance

The management of Oklahoma Health Information Exchange Trust is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Trust's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the Trust's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described as 2011-3 in the accompanying schedule of findings and question costs to be a material weakness.

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

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



Oklahoma City, Oklahoma  
March 12, 2013

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued	Unqualified
Internal control over financial reporting	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs

<u>CFDA number</u>	<u>Name of Federal Program or Cluster</u>
93.749	State Grants to Promote Health Information Technology - ARRA

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	No
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## Section II - Financial Statement Findings

### 2011-1

Condition:	As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The Trust does not have the internal control system over financial reporting designed to provide for the preparation of the financial statements, including accompanying footnotes as required by generally accepted accounting standards, on a periodic or annual basis. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of the cost or other considerations.
Criteria:	Statement on Auditing Standards (SAS) 115 requires the auditor to assess the Trust accounting staff's ability to apply Generally Accepted Accounting Principles (GAAP) on an ongoing basis.
Cause:	The deficiency is due to the time and resources of staff charged with financial reporting with relevant governmental accounting experience.
Context:	The Trust did not prepare the financial statements and related footnote disclosures.
Effect:	We noted a material weakness in the Trust's internal controls over financial reporting and procedures related to the preparation of the financial statements.
Recommendation:	The Trust should continue to evaluate and weigh the costs and benefits of developing and implementing a year-end financial reporting system. If the continuance of a deficiency is not acceptable, the Trust should implement a control system to prepare the financial statements and notes to the financial statements.
Response:	The Trust's management company, Community Service Council (CSC), took over the financial management of the Trust on July 1, 2012. Historical data was built from invoices and payments from OHCA along with match requirements. Based on this information we provided a Balance Sheet and Income Statement to the auditor without footnotes. Going forth, CSC will provide a complete set of financial statements for audit.

### 2011-2

Condition:	The Trust's financial reporting control system in place during the past fiscal year did not identify all necessary adjustments required to be presented in accordance with Generally Accepted Accounting Principles (GAAP) and to present the schedule of expenditures of federal assistance (SEFA).
Criteria:	The development and implementation of a year-end financial reporting control system, including making all adjustments to both the financial statements and the SEFA is the responsibility of the Trust's management.

Cause:	This is the first year that the Trust has presented financial statements in accordance with GAAP. The Trust developed a process at year-end to record adjustments for financial statement presentation, but the process was not effective in identifying all the necessary adjustments and disclosures in accordance with GAAP and to properly present the SEFA.
Effect:	Material adjustments identified by the auditors were necessary to correctly present the financial statements and SEFA.
Recommendation:	The Trust should continue to evaluate and weigh the costs and benefits of developing and implementing a year-end financial reporting system. The year-end financial reporting process should include procedures to identify and record entries in accordance with GAAP and to properly reconcile the SEFA to the financial statements.
Response:	The Trust has secured accounting software to record all entries and create year-end financials in accordance with GAAP.

### **Section III – Federal Award Findings and Questioned Costs**

#### **2011-3**

Condition:	The Trust did not complete timely submittal of the Federal Data Collection Form by the deadline of September 30, 2012.
Criteria:	OMB Circular A-133 at Sec. 302(b) requires completion of a data collection form which states whether the audit was completed in accordance with the circular and provides information about the auditee, its federal programs, and the results of the audit. This data collection form is required to be filed with the Federal Clearinghouse prior to the end of the ninth month following an entity's year-end.
Cause:	The Trust did not have completed financial statements to file by the deadline. This is due to the fact that the Trust is still a newer entity and had not prepared 2011 financial statements until after the deadline. The Trust did not have a management company to complete this task until late Summer 2012.
Effect:	The Trust is at risk of a delay in federal funding pending acceptance of the audited financial statements and the Data Collection Form.
Recommendation:	Now that the initial financial statements have been prepared, it is recommended that the management company of the Trust prepare financial statement records immediately following year-end to allow sufficient time for auditing procedures.
Response:	The Trust will seek to have audit completed in time to meet the requirements.