



To the Board of Commissioners:

In planning and performing our audit of the financial statements of **Rockingham County** for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated March 24, 2005, on the financial statements of Rockingham County.

We have reviewed the current status of the 2003 Management Letter comments as documented in a memo from the Rockingham County Commissioners. We agree with the areas identified by the Commissioners that require further work in 2005.

We have already discussed the following comments and suggestions with the Finance office personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**Cash:**

The Nursing Home continues to hold cash/checks that exceed the County policy of \$10,000. Our concern is with the amount of cash/checks being kept in the vault until all endorsements have been obtained and the business office deems that a complete deposit can be made. Because of this, the cash is not being recorded in the County's accounting system on a timely basis nor is it being deposited in the bank on a timely basis.

In addition, we continue to be concerned about the long range applicability of the software used by the Nursing Home business office without major modifications, especially with changes in billing requirements for Medicare and Medicaid. Delays in billing result in delays in cash flow. We were pleased to see that the Commissioners have recommended funding in the 2005 budget to address the billing software issue.

The Nursing Home continues to make their own cash deposits, contradictory to County policy that the Finance Office make all deposits.

Recommendation: That the Nursing Home adhere to the County's deposit policy which states that cash and checks will not be held which exceed \$10,000 and that the Finance Office make all deposits. We urge you to continue to pursue new software for the Nursing Home and that someone from the Finance Office remain as a member of the selection committee.

Commissioners' Response: We concur.

### **Checks:**

It is our understanding that the Jail continues to write their own checks. While proper planning eliminates requiring checks in a hurry, we have been advised that checks can be processed through the Finance Office in one day if necessary. No checks should be written outside of the Finance Office except for the residents' fund.

As with the Nursing Home, the Jail desires to make their own deposits and variances need to be reconciled by the Finance Office.

There also appears to be a problem in that the Jail is attempting to deposit void checks.

Recommendation: No checks should be written outside of the Finance Office except from the Nursing Home residents' fund. All deposits should be made by the Finance Office. Additionally, as long as the Jail continues to write checks there should be an independent verification of signed/unused checks on hand at the Jail.

Commissioners' Response: We concur

### **Revenue Enhancement:**

The cost of Nursing Home care continues to escalate and it is a challenge to provide the highest quality of care at a reasonable price. We urge the County to look at ways to enhance revenue without detracting from the stated mission. Empty beds cost money. There is a waiting list and if that list can be processed quicker, those people will start generating revenue sooner. Medicare reimbursement is advantageous and, while billing and tracking take more time, the result is revenue enhancement. Also, if beds could be filled for weekends and times when families take a needed vacation, increased revenue would be generated.

Recommendation: That the Nursing Home explore avenues of revenue enhancement without detracting from the mission to provide quality patient care. Some areas to explore would be speeding up the admissions process, target increased Medicare utilization, and exploring the option of respite care.

Commissioners' Response: We are continually aware of the escalating costs of running a governmental long term care facility. As a result, we concur that we should always be seeking enhanced revenue sources as with the bed tax established in 2004. Additionally, we actively identify issues and manage expenditures to minimize the tax burden. And, finally we have already exceed our 2004 Medicaid days totaling 589. As of May 2005 where we had billed 601 days.

**Nursing Home Accounts Receivable:**

Medicare accounts receivable are recorded at \$161 per day. The anticipated revenue should be recorded at the rate for the particular RUGs code. At a minimum, the receivable should be recorded at an amount more representative of the average amount received for Medicare patients.

Recommendation: That accounts receivable for Medicare patients should be reflective of the anticipated cash to be received. We have been advised that, at the moment, this requires considerable manual effort, but state-of-the-art software would automatically generate the correct amount.

Commissioners' Response: We concur.

**Inventory:**

We noted that the internal controls established for recording inventory in the accounting system are not being adhered to in the Nursing Home business office. As a result, Finance staff is required to make several inventory corrections monthly. Specifically, Nursing Home staff do not follow proper data entry procedures when recording receipts into the accounting system inventory module. The issue was addressed by restricting the rights of certain staff members to eliminate the ability to enter inventory incorrectly. However, management staff in the business office allowed the staff member to continue improper data entry by using the lead staff's login.

Recommendation: That the Nursing Home staff adhere to County policy and procedures that are established to insure separation of duties for sound internal control.

Commissioners' Response: We concur.

**Civil Revenue:**

Prepaid revenue received by the Sheriff's Department is not being recorded as deferred revenue.

Recommendation: Prepaid revenue needs to be recorded as such until the service is rendered. There needs to be a tracking system for date of service.

Commissioners' Response: We concur

**Year-end Closing:**

We are aware that classes are held for the departments regarding year-end closing procedures to be followed. Unfortunately, not all of the departments attend. The lack of attention to year-end closing is evidenced by the fact that there were 209 adjusting journal entries in the General Fund alone. On March 24<sup>th</sup> departments were still submitting entries.

Recommendation: That the Finance Office continue to hold classes on year-end closing procedures and that the Commissioners stress the importance of this.

Commissioners' Response: We concur

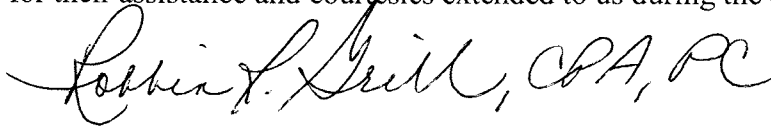
**Grants:**

Applications for and approval of grants are not submitted to the Commissioners on a timely basis. In August and September, grants dating back to the beginning of the year had to be retroactively accepted and approved.

Recommendation: Applications for grants should be submitted to the Commissioners for approval prior to applying for or obtaining the grant. Appropriate accounting records should be forwarded to the Finance Office.

Commissioners' Response: We concur

This report is intended solely for the information and use of the Commissioners, management and others within Rockingham County and is not intended to be and should not be used by anyone other than these specified parties. We would like to take this opportunity to extend our appreciation to the Commissioners, Finance Office, Theresa Young, Judie Milner, and other staff for their assistance and courtesies extended to us during the audit.



Concord, New Hampshire  
March 24, 2005