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NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.

NATCHITOCHES, LOUISIANA

FINANCIAL STATEMENTS

AND

AUDITORS' REPORTS

FOR THE FISCAL YEAR ENDED

JANUARY 31, 1997

~~This report is a public document. A copy of the report has been furnished to the audited, or reviewed, entity and other appropriate public officials. This report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.~~

Release Date DEC 21 1997

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

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NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1987

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DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Machitoches Outpatient Medical Center, Inc.
Machitoches, Louisiana

We were engaged to audit the Statement of Financial Position of Machitoches Outpatient Medical Center, Inc. as of January 31, 1993, and related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Machitoches Outpatient Medical Center, Inc.'s management.

Detailed accounts receivable records for patient revenues and detailed property and equipment records were not reconcilable to control accounts and we were unable to confirm the accounts receivable amount of \$246,258 and the property and equipment amount of \$2,533,193 or to determine the amounts through alternative procedures. Therefore, we were not able to satisfy ourselves about the amounts at which patient accounts receivable and the related allowance for uncollectibles and the amounts at which property and equipment and the related accumulated depreciation are recorded in the accompanying Statement of Financial Position as January 31, 1993 and the amount of bad debt expense and depreciation expense in the accompanying Statement of Revenues, Expenses and Changes in Net Assets for the year then ended.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Certified Public Accountants
September 16, 1993

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JANUARY 31, 1997

	<u>Unrestricted General Fund</u>	<u>Temporarily Restricted WIC Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 84,000	\$ 6,500	\$ 90,500
Grants receivable		19,500	19,500
Patient Accounts receivable (net of estimated uncollectible amount of \$41,883)	176,175		176,175
Other Receivables	613,679		613,679
Prepaid expense	24,718		24,718
Property and equipment Net of accumulated depreciation	1,280,688	—	1,280,688
Total Assets	<u>2,229,150</u>	<u>23,000</u>	<u>2,252,150</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 196,658		\$ 196,658
Accrued payroll	26,178	21,180	47,358
Due to State of Louisiana	74,174		74,174
Line of Credit - Exchange Bank	181,513		181,513
State Payable - Exchange Bank	196,000		196,000
Capital lease payable	323,030	—	323,030
Total Liabilities	<u>1,097,553</u>	<u>21,180</u>	<u>1,118,733</u>
NET ASSETS			
Unrestricted	1,280,688		1,280,688
Temporarily Restricted	—	23,000	23,000
Total net assets	<u>1,280,688</u>	<u>23,000</u>	<u>1,303,688</u>
Total Liabilities and Net Assets	<u>2,252,150</u>	<u>23,000</u>	<u>2,275,150</u>

See Accompanying Notes to Financial Statements.

**NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997**

	<u>Unrestricted General Fund</u>	<u>Temporarily Restricted WIC Fund</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Patient Service Revenue (net of contractual allowances)			
	\$ 1,877,843		\$ 1,877,843
Bill (Net 50%) Grant	1,877,843		1,877,843
WIC Grant		119,333	119,333
Third-party cost reimbursement	176,265		176,265
Miscellaneous	4,318		4,318
Medical Application Fees	2,700		2,700
Interest	2,828		2,828
Total revenues and other support	<u>1,967,897</u>	<u>119,333</u>	<u>2,087,230</u>
EXPENSES			
Salaries	1,781,288	171,348	1,952,636
Payroll taxes	120,771	86,588	207,359
Fringe benefits	169,428		169,428
Continuing Education	37,548		37,548
Office supplies and expense	88,471	3,896	92,367
Medical drugs & supplies	88,262		88,262
Contract labor	11,287		11,287
Depreciation	98,512		98,512
Publications	2,231		2,231
Rent expense	44,882		44,882
Repairs and maintenance	58,345		58,345
Insurance	48,438		48,438
Legal and accounting	58,800		58,800
Interest	54,884		54,884
Bad debt expense	288,548		288,548
Miscellaneous	1,908		1,908
Other lab fees	84,257		84,257
Utilities and telephone	121,883		121,883
Other taxes	14,284		14,284
Medical Billing	11,928		11,928
Total Expenses	<u>2,522,812</u>	<u>181,824</u>	<u>2,704,636</u>
DECREASE IN NET ASSETS	(554,915)	(62,511)	(617,426)
NET ASSETS, BEGINNING OF PERIOD	1,228,334	54,999	1,283,333
GAIN ON SALE OF EQUIPMENT	3,451		3,451
ADD (DEDUCT) TRANSFERS	(11,819)	25,813	14,000
NET ASSETS, END OF PERIOD	\$ 1,209,956	\$ 18,299	\$ 1,228,255

See Accompanying Notes to Financial Statements.

**NATCHITOCHE OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHE, LOUISIANA**

**STATEMENT OF CASH FLOWS
JANUARY 31, 1997**

	Unrestricted General <u>Fund</u>	Temporarily Restricted	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase (Decrease) in net assets	\$ (9,917)	\$20,310	\$ (10,440)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operations			
Depreciation	98,302		98,302
Allowance for bad debt	288,568		288,568
Gain on Sale of Equipment	(1,651)		(1,651)
(Decrease) Increase in Operating Assets			
Prepaid	(24,718)		(24,718)
Accounts Receivable	(504,480)	32,661	(471,819)
Due from Other Funds			
Deposits			
Increase (Decrease) in Operating Liabilities			
Accounts Payable	(18,499)		(18,499)
Accrued Payroll	30,178	2,183	32,361
Deferred Revenue	(130,000)		(130,000)
Due to State Agencies	34,124		34,124
Net Cash from Operating Activities	<u>128,450</u>	<u>32,113</u>	<u>160,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Equipment	<u>(88,216)</u>		<u>(88,216)</u>
Net Cash from Investing Activities	<u>(88,216)</u>		<u>(88,216)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Proceeds - Non Payable	130,000		130,000
Net Borrowing - Line of Credit	181,513		181,513
Principal payment of Capital Loans	<u>(128,687)</u>		<u>(128,687)</u>
Net Cash Flows from Financing Activities	<u>182,826</u>		<u>182,826</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(194,746)	2,113	(192,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>228,211</u>	<u>9,212</u>	<u>237,423</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 33,465</u>	<u>\$ 11,100</u>	<u>\$ 44,565</u>

Supplemental Disclosure:
Cash Paid for Interest

\$ 24,208

See Accompanying Notes to Financial Statements.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1987

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) NATURE OF ACTIVITIES

Natchitoches Outpatient Medical Center, Inc., hereinafter referred to as the Clinic, was organized under the provisions of P.L.S. 1980, title 12, Chapter 2, an amended, State of Louisiana in December 1977, and recorded in the Non-Profit Corporations Book of the State of Louisiana.

The Clinic is organized to provide efficient and effective health care through the operation of a health delivery system designed to meet the medical needs of the community, i.e., early detection diagnosis, and treatment of illnesses and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civily and socially. The Clinic provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The areas served are Tallulah, Leesville, Logansport and Natchitoches. The services are provided through outpatient clinics with a referral program, health education, and limited medical services for hospitalizations.

The corporation is organized as a non-stock membership basis. Fifty-one (51%) percent of the members of the board are chosen by the population served. After the election of Board Members in December, the officers are seated at the next regularly scheduled meeting in January.

In December 1977, Congress passed the Rural Health Clinic Services Act of 1977 (Public Law 95-218) to provide financial support for facilities using physician extenders to provide primary health care services in rural, medically underserved areas. The law authorized Medicare and Medicaid payments to qualified rural health clinics for covered health care services furnished by or under the direction of nurse practitioners and physician assistants. In order to qualify as a rural health clinic under Medicare and Medicaid, a facility must be under the general direction of a physician, be located in a rural area and operate in an area designated by the Department of Health and Human Services as having a shortage of personal health services, be engaged essentially in providing outpatient primary medical care, and meet health and safety requirements prescribed by Medicare and Medicaid regulations.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the year ended January 31, 1997, the Clinic's operations were funded by a Community Health Service Rural Health Initiative (RHI) Grant awarded under Section 330 of the Public Health Services Act, as amended. Various restrictions are placed on expenditures of these funds. Recordation of used and unused funds are prepared at the end of the program year and the propriety of such funds is determined by the Department of Health and Human Services.

(B) REPORTING ENTITY

The accompanying financial statements of the Clinic presents the financial position and results of operations of the unrestricted fund and temporarily restricted fund. All activities of the Clinic are included in these financial statements.

Basis of Accounting

The financial statements of the Clinic have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(C) FUND ACCOUNTING

The accounts of the Clinic are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their source and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. In accordance with SFAS No. 117, fund balances are classified on the statement of financial position as unrestricted and temporarily restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Unrestricted

Accounts for resources that can be expended currently. This fund represents the part of net assets that have not been restricted for identified purposes by donors and grantors. Unrestricted net assets also include assets whose use is contractually limited.

NATCHITOCHESE OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted

Accounts for the WIC Grant funds that can be expended currently, but only for a specified purpose designated by the grantor.

(D) BUDGETS

A budget outlining grant awards, program revenues and expenses is submitted prior to the start of each fiscal year for approval by the Department of Health and Human Services. Budget amendments and changes are allowed by prior approval from the Department of Health and Human Services.

(E) PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. Depreciation is provided in the financial statements over the estimated useful lives of the depreciable assets on the straight-line basis. The following estimated useful lives are generally used:

Building	40 years
Furniture and fixtures	5 - 20 years
Equipment	5 - 15 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

(F) COMPENSATED ABSENCES

Natchitoches Outpatient Medical Center's employee benefits for vacation and sick pay do not vest. Accordingly, no accounts are recorded in the financial statements.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(G) TOTAL COLUMNS

Total columns on the financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

(H) UNCOLLECTIBLE ACCOUNTS

The Clinic estimates an allowance for uncollectible accounts receivable based on prior experience of management.

(I) CASH AND CASH EQUIVALENTS

For the purpose of the financial statements, the Clinic considers all demand deposits and time deposits with an initial maturity of three months or less to be cash equivalents.

(J) INCOME TAX STATUS

The Clinic is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Clinic's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Clinic qualifies for the charitable contribution deduction under Section 170(e)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

NOTE 2 **CASH**

At year end, the carrying amount of the Clinic's cash was as follows:

Checking	\$68,578
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All deposits were held in local banks and insured by the FDIC.

NATCHITOCHE'S OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997**

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation at January 31, 1997, is provided:

	Property and Equipment			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 118,800			\$ 118,800
Building	1,697,820		(32,269)	1,665,551
Furniture & Equip.	571,426	571,866		743,292
Vehicles	88,088	14,250	(88,088)	14,250
Totals	<u>\$2,566,134</u>	<u>\$86,316</u>	<u>(120,357)</u>	<u>\$2,532,093</u>

	Accumulated Depreciation			
	Beginning Balance	Additions	Disposals	Ending Balance
Building	\$ 475,817	\$53,351		\$ 529,168
Furniture & Equip.	578,776	42,876		621,652
Vehicles	88,088	2,325	(88,088)	2,325
Totals	<u>\$1,142,681</u>	<u>\$98,552</u>	<u>(88,088)</u>	<u>\$1,153,145</u>

NOTE 4 OTHER RECEIVABLES

Other receivables at January 31, 1997, consisted of the following:

Due from IRS	\$ 38,532
State Tax Receivable	12,228
Sale of Equipment	281
Other	435
Third Party Cost Reimbursement	716,972
Lease Allowance for disposed Car	(146,685)
Total	<u>\$813,679</u>

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 4 OTHER RECEIVABLES (continued)

In accordance with Omnibus Budget Reconciliation Act of 1989 (OBRA 89) and 1990 (OBRA 90), reimbursement policies for reasonable cost reimbursement were established for a certain set of Federally-Qualified Health Centers (FQHC) such as the Clinic, rather than reimbursement based upon allowable charges for each service provided. Medicaid reimbursement became effective April 1, 1990 and Medicare, October 1, 1991.

At January 31, 1997, amounts due from Medicare and Medicaid fiscal intermediaries were \$216,636 and \$508,296 respectively. These settlement amounts are subject to audit and adjustment by the fiscal intermediaries. The amounts have been reflected in the financial statements as receivables and revenues, net of an allowance for disputed costs estimated at (25) twenty-five percent for the years ended 1995 and 1996, which have not been audited by fiscal intermediaries.

NOTE 5 BOARD OF DIRECTORS

Each of the following directors served the Clinic without compensation:

Mr. Oswald Taylor, Sr.	President
Mr. Oliver Simon	Vice President
Ms. Mary Lene Johnson	Secretary
Ms. Rosie Humphrey	
Mr. Justice Mallard	
Mr. Harry Daily	
Ms. Diane Fries	
Mr. Leo Kennedy	
Mr. James Calhoun	
Mr. Tony Wallace	
Mr. Dennis McGaskey	

NOTE 6 CONTINGENCIES

The Natchitoches Outpatient Medical Center, Inc. evaluates contingencies based upon the best available evidence. The Clinic believes that no allowance for loss contingencies is considered necessary.

NATCHITOCHESES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 4 CONTINGENCIES (continued)

The principal contingencies are described below:

Grant Awards

The ability of the Clinic's continued operations is contingent upon continued funding from the Public Health Service.

Unobligated Federal Funds

The Clinic's grant funds, including amounts awarded for the current budget period, and estimated or actual unobligated federal funds carried over from prior budget periods are authorized for the Clinic's use only in the current budget period in the amount specified by the PHS awarding office in an approved budget as a Notice of Grant Award. As a result of carryovers of unobligated grant funds, the total amount of funds available in the grant account may exceed the federal share of the approved budget. These funds are not automatically available to the Clinic. The PHS awarding office exercises sole discretion as to the use of those funds.

Grantor Agencies

Amounts received from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed expenses, including amounts already collected, may constitute a liability. The amount, if any, of expenses which may be disallowed cannot be determined at this time.

IRS Information Return

Form 990, Internal Revenue Service information return of tax exempt organizations is due on the fifteenth (15th) day of the fifth (5) month following the end of the fiscal year (more specifically, June 15). The returns for the fiscal years ended January 31, 1996 and 1997 were not filed on time and are subject to penalties up to \$5,000 per year. The Clinic has not recorded a liability in the financial statements for these amounts and expects to have the penalties waived under extenuating circumstances. As of September 30, 1997 this issue had not been resolved.

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 7 CAPITAL LEASES

The Clinic leases several pieces of equipment and a modular building at the Tallulah site. Because the leases contain a bargain purchase option, the substance of the leases are that the Natchitoches Outpatient Medical Center, Inc. is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Clinic's assets and liabilities. The original cost of the property under capital lease at January 31, 1997 is as follows:

Modular Building	\$725,250
Phone System	22,758
ECG Machine	7,100
Cholesterol Analyzer	97,248
Ultra Sound Machine	\$ 39,900

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of January 31, 1997:

YEAR ENDING JANUARY 31,	
1998	\$256,789
1999	177,472
2000	162,196
2001	148,652
Total Minimum lease payments	745,110
Less - Amount representing interest	(128,436)
Present Value of Minimum lease payments	\$616,674

NOTE 8 OPERATING LEASES

The Clinic provides health services in leased facilities located in Leesville and Lagartoport, Louisiana. The facilities are leased from two unrelated parties. Both leases are twelve (12) month operating leases which are renewable by written notice. The Leesville facility lease is cancellable by mailing a ninety (90) day written notice of intention to terminate. Rental expense for those leases was \$37,880 for the year ended January 31, 1997.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 9 NOTES PAYABLE

The most payable obligations of the Clinic at January 31, 1997 are as follows:

\$.25% note payable with the Exchange Bank and Trust Co., for accrued interest and principal due due on April 30, 1997.

\$150,000

Operating line of credit with the Exchange Bank and Trust Co., bearing a current variable interest rate of 8.25%. The line requires monthly interest only payments with the principal and accrued interest due at maturity on March 15, 1997. The debt is secured by a collateral mortgage note dated March 15, 1990 for \$150,000. The line of credit limit is \$125,000.

\$201,500

Total \$351,500

NOTE 10 DUE TO STATE OF LOUISIANA

The Clinic owes the State Department of Health and Hospitals the over paid Medicaid claims of the Delta Rural Health Services in Tallulah and also at the Delta Comprehensive Health Services in Logansport. The over payment years are 1992, 1993 and 1994. The over claim balances due back are the following:

Debits	\$ 7,248
Delta	<u>66,526</u>
Total	<u>\$73,774</u>

NOTE 11 REVENUES

The Clinic operates principally from grants awarded by federal and state government and generates revenues through patient fee charges. The patient fee charges consisted of the following:

Medicare	\$ 189,840
Medicaid	485,982
Sliding Fee (net)	473,428
Other	<u>28,132</u>
	<u>\$1,177,482</u>

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 12 RELATED PARTY TRANSACTIONS

During the year ended January 31, 1997, the Clinic sold several pieces of equipment and automobiles. These sales were made to two employees and one (1) Board Member. The following table depicts the nature of the transactions:

<u>Name and Title</u>	<u>Item Sold</u>	<u>Sale Price</u>	<u>Amount Due</u>
Wylie Volusia, Employee	Car	\$2,800	-0-
Hazy Dally, Board Member	Van	551	\$201
Deban Workman, Employee	Equip.	900	-0-

NOTE 13 THIRD PARTY REIMBURSEMENT

In accordance with Omnibus Budget Reconciliation Act of 1988 (OBRA 88) and 1990 (OBRA 90), reimbursement policies for reasonable cost reimbursement were established for a certain set of Federally Qualified Health Centers (FQHC) such as the Clinic, rather than reimbursement based upon allowable charges for each service provided.

Settlement costs reports completed at year end are subject to audit and adjustment by intermediaries, in particular, United Government Services and Tri-Span.

NOTE 14 SELF INSURANCE

The Clinic's medical plan for eligible employees and their dependents is funded through a self insurance plan. The Clinic has hired a third party administrator to handle all claims and make all payments. The Clinic transfers funds to a special checking account which is designed to handle only medical payments. After the funds have been transferred, the third party administrator processes the checks and remits them to the board for approval and signatures.

NATCHITOCHESE OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 15 PRIOR PERIOD ADJUSTMENTS

Certain errors, resulting in both the overstatement and understatement of previously reported assets, liabilities and expenses of the prior year were corrected this year, resulting in the following changes to net assets as of January 31, 1996:

Net Assets:	
As previously reported	\$1,429,090
Correction	<u>(165,460)</u>
As adjusted	<u>\$1,263,630</u>

NOTE 16 FUNCTIONAL EXPENSE CLASSIFICATION

In accordance with (FASB) NO. 117, the following table depicts all the expenses for the year ended January 31, 1997 in their functional categories.

	GENERAL FUND	WIC FUND	TOTAL
Program Services	\$1,880,616	196,864	\$2,077,500
Administration	<u>1,470,231</u>	<u> </u>	<u>1,470,231</u>
	3,350,847	196,864	3,547,711

NOTE 17 SUBSEQUENT EVENTS

At January 31, 1997, the Clinic had a \$104,513 line of credit and a note payable in the amount of \$150,025 with the Exchange Bank and Trust of Natchitoches. Subsequent to year end, the organization refinanced the two debts into one consolidated note. The note requires a monthly payment of \$7,027 over 120 months. The interest rate on the new note is 8.5% with a first payment date of July 3, 1997.

In July 1997, the Board of Directors hired a management consulting firm to assist in restructuring the operations of the Clinic. The changes are entered on the following:

- (A) Fiscal Accountability
- (B) Personnel
- (C) Restructured Debt
- (D) Improved Health Care
- (E) Corporate Governing Documents

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

NOTE 18 PATIENT ACCOUNTS RECEIVABLE

Amounts receivable at January 31, 1997 consisted of the following:

Medicare	\$157,600
Sliding Fee	73,885
Medicaid	23,323
Private Insurance	6,325
Less: Allowance for Uncollectibles	<u>(61,822)</u>
Total	<u>\$199,311</u>

SUPPLEMENTAL INFORMATION



DAUZAT, BEALL & DEBEVEC, CPAs

MEMBER OF THE NATIONAL
A PROFESSIONAL CORPORATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Natchitoches Outpatient Medical Center, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our engagement to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. for the fiscal year ended January 31, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash receipts, payroll, property and equipment, cash disbursements and grant administration.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

Of the management suggestions made for the year ended January 31, 1996, the following has been implemented: (A) the employee credentials are now checked.

We noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

These reportable conditions include:

I. SLIDING FEES

Conditions: The Natchitoches Outpatient Medical Center, Inc., did not consistently obtain income verification from patients.

Criteria: The regulations require that all patients who can pay for services be charged according to a sliding fee schedule.

Effect: If the Organization does not check and document the patient income, the Clinic will not be able to collect all funds due.

Recommendation: The Clinics should verify all patient income and include documentation in the patient file.

2. BANK RECONCILIATIONS

Conditions: Bank reconciliations were not performed on a regular monthly basis or agreed to the general ledger cash accounts.

Criteria: Grant recipients are required to safeguard all assets of the organization.

Effect: The organization could have misappropriated grant funds and not be aware of the problem in a timely manner.

Recommendations: All bank accounts should be reconciled monthly with their corresponding bank statements and should be compared to the books to insure that they agree.

3. PURCHASING SYSTEM

Conditions: The current system does not ensure that purchases of supplies and materials are made for the lowest available price. As a recipient of federal dollars, the organization is permitted to purchase goods from vendors under the Louisiana State contract.

Criteria: Organizations receiving federal assistance must adhere to allowable cost/price principles. The grant goes further to require that all purchases for goods be necessary and reasonable for the proper administration of the program.

Effect: The resulting effect is that the organization will pay more for goods than is necessary or reasonable.

Recommendations: The organization should centralize the purchasing function and purchase as many items as possible under state contract.

4. CONTRACT VIOLATIONS

Conditions: We noted that the organization was not making monthly payments under two (2) of their capital leases.

Criteria: The lease contracts require that the organization make monthly payments under the terms of the agreement.

Effect: If the organization is found by the lessor to be in default of the terms in the agreement, the lessor could require the return of the asset.

Recommendations: In order to avoid undue hardship on the organization, all requirements under contractual agreement should be adhered to.

5. 941 PAYROLL TAX RETURN

Condition: The payroll tax liability reported on the form 941 was incorrect.

Criteria: For the year ended December 31, 1996, the organization did not limit the amount of social security tax paid for individuals who earn more than \$62,300.

Effect: The organization overpaid the social security payroll tax.

Recommendation: The organization should review the tax rules published in the *Circular E, Employer's Tax Guide*.

6. COST REPORTS

Condition: The organization did not file the Medicare and Medicaid cost reports for 1996 and 1997 in a timely manner.

Criteria: In order for the organization to recover amounts due for Medicaid and Medicare claims, the organization is required to file annual cost reports.

Effect: The funds due the organization will not be paid over in a timely manner.

Recommendation: The organization should take steps to ensure that the cost reports are filed by the due date.

7. FINANCIAL STATEMENTS

Condition: The financial transactions for the year ended January 31, 1997 were not posted to a general ledger.

Criteria: OMB Circular A-110 requires that the financial management system provide an accurate, current and complete disclosure of the financial results of each federally sponsored project.

Effect: Irregularities could occur as a result of not having an accounting system in accordance with grant requirements.

Recommendation: In order to reduce the risk of errors or irregularities, the accounting system should record all financial transactions in the books in a timely manner.

8. RESULTS OF OPERATION

Condition: The financial position of the organization was not compared to the budget on a regular basis.

Criteria: OMB Circular A-110 requires that the financial management system provide a comparison of outlays with budget amounts for each account.

Effect: The organization was unable to properly manage grant results.

Recommendation: The financial statements should be compared to the budget on a regular basis.

9. FIXED ASSETS

Condition: Policies that are established to control which assets are capitalized or expensed are not being followed.

Criteria: OMB Circular A-110 requires that the financial management system provide effective controls over and accountability of all property.

Effect: Without the utilization of property controls, it is possible for the misappropriation of corporate assets.

Recommendation: Control policies should be modified to ensure that all assets which cost a predetermined amount are being capitalized and recorded on the asset inventory list.

10. PROPERTY TAGS

Condition: The fixed assets do not have property control tags.

Criteria: In accordance with OMB Circular A-110, recipients of federal assistance should adequately safeguard all assets.

Effect: Without the assets being tagged, it will not be readily possible to know which assets belong to the corporation.

Recommendation: The items purchased, which meet requirements established by the board for fixed assets, should have an identifying sticker or decal affixed to it. The sticker should have an identifying property number and it should also state that the asset is property of the Massachusetts Corporation Medical Center, Inc.

11. ASSET INVENTORY LIST

Condition: The inventory list, which serves to control all fixed assets, did not adequately identify the assets owned by the Natchitoches Outpatient Medical Center, Inc.

Criteria: In order to safeguard the assets in accordance with the OMB Circular, the asset inventory list should be complete.

Effect: Without all assets being recorded on the asset list, the organization will not be able to adequately safeguard all assets.

Recommendation: All assets recorded on the asset inventory list should be identified by a serial number when possible and a tag ID number.

12. PHYSICAL INSPECTION - PROPERTY AND EQUIPMENT

Condition: The organization does not formally conduct a physical inventory of property and equipment on an annual basis.

Criteria: In accordance with the OMB Circular A-116, the recipients of federal assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, fixed assets could be misappropriated.

Recommendation: The organization should have someone from the accounting department conduct an annual physical inventory.

13. SALES TAX

Condition: The organization has been paying \$488.97 a month in sales tax on the capital lease of the modular building in Tallulah.

Criteria: In accordance with state law, the organization is not responsible for sales tax on a modular building which is erected and permanently fixed to the location.

Effect: The organization incorrectly paid sales tax to G.I. Capital.

Recommendation: The organization should approach G.I. Capital and make every attempt to reduce the capital lease obligation by the overpaid sales tax.

14. LEASE AGREEMENTS

Condition: We noted that some of the lease documents were not on file within the office.

Criteria: In order to properly execute all contractual obligations, the clinic should maintain all contracts in their current files.

Effect: Without having the contracts readily available for inspection, the organization could violate the terms of the agreement and be exposed to monetary loss.

Recommendation: All contracts should be maintained in the office.

15. FORM 990 TAX RETURN

Condition: Form 990, annual income tax return, was not filed on time for the years ended January 31, 1996 and 1997.

Criteria: Internal Revenue procedure requires that the returns be filed by the filer(s) (15) day of the fifth month following the close of the fiscal year.

Effect: The organization could be subjected to penalties up to \$5,000 per year per return.

Recommendation: The organization should have the returns prepared and filed in a timely manner.

16. LATE AUDIT REPORT

Condition: The organization did not file their January 31, 1997 audit report with the State of Louisiana or their cognizant agency within the required time frame.

Criteria: In accordance with State law, the audit should be filed with the State of Louisiana within six (6) months from the close of the fiscal year. The United State Department of Health and Human Services requires that the audit be filed within four (4) months.

Effect: The organization could possibly be subjected to further grant restrictions.

Recommendation: The organization should take steps to ensure that the audit is performed in a timely manner.

17. ACCOUNTS PAYABLE

Condition: The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-110, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts payable outstanding are recorded on the books and are listed on the subsidiary journal by vendor and amount.

18. ACCOUNTS RECEIVABLE

Condition: The accounts receivable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-110, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded on the books and are listed in the subsidiary journal by vendor and amount.

19. LOUISIANA STATE GRANT

Condition: The organization returned to the State of Louisiana a grant amount of \$150,000.

Criteria: The grant could have been used for operational purposes.

Effect: Ineffective cash management system.

Recommendation: Attempts should be made to recover the returned grant funds.

20. MEDICAL SUPPLIES INVENTORY

Condition: The organization does not formally conduct a physical inventory on an annual basis.

Criteria: In accordance with the OMB Circular A-110, the recipients of Federal Assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, supplies could be misappropriated.

Recommendation: The organization should have someone conduct an annual physical inventory.

20. SALE OF ASSETS

Condition: The organization sold several pieces of equipment without a formal bid process.

Criteria: In order to receive the maximum dollars for the items sold, the organization should have a policy to maximize the sale of assets through a bid process or through an external valuation procedure.

Effect: The organization was not allowed to sell assets to the highest bidder or receive the true value of the assets sold.

Recommendation: Before any assets are sold, the accounting department should attempt to acquire an external valuation or perform a public bid process.

21. STATE UNEMPLOYMENT TAX

Condition: The state quarterly payroll tax returns for the third and fourth quarters of 1996 were not filed or paid on time.

Criteria: The organization is required to file and pay the aforementioned reports by October 31, 1996 and January 31, 1997.

Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalties and interest.

Recommendation: All tax filing and paying deadlines should be strictly adhered to.

22. PAYROLL TAX DEPOSITS

Condition: The federal payroll tax coupon forms 8109 for the year were marked for the incorrect type of tax.

Criteria: This organization is required to deposit and pay form 941 taxes to a banking institution.

Effect: Due to the failure to appropriately mark the tax coupons, the Clinic didn't receive proper credit.

Recommendation: Tax coupons should be appropriately marked by a responsible individual.

24. EMPLOYEE W-2 FORMS

Condition: The social security tax and social security wages were incorrectly reported on some of the W-2s for the year ended December 31, 1996.

Criteria: The social security wages exceeded the cap of \$62,700.

Effect: As a result of reporting social security wages higher than the cap, the social security withhold and reported on the W-2 was incorrect.

Recommendation: The amount withheld and reported on the W-2s should be in accordance with the *Circular E, Employer's Tax Guide*.

25. WIC REIMBURSEMENT REQUESTS

Condition: The organization could not locate copies of the WIC Program's reimbursement reports for the period February 1996 thru July 1996. As a result, the organization had to obtain copies from the State.

Criteria: The grant requires that all original grant documents be kept on file for a minimum of four (4) years.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: All original grant source documents should be kept on file for a period of four (4) years.

26. WIC DISBURSEMENTS

Condition: Disbursement checks were made payable to cash.

Criteria: The WIC Program grant requires all checks be made payable to a vendor.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: In the future, checks should be made payable to the recipients and not cash.

27. WIC EXPENDITURE REPORT

Condition: When requesting reimbursement funds, the organization did not complete and submit a disbursement report for the month and for the grant period according to budget category.

Criteria: The grant requires that recipients submit a monthly expenditure report consisting of two (2) columns, current expenses and a year to date, categorized by budget category.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: The organization should follow all grant requirements in the contract.

28. RHH PAYROLL AUTHORIZATION

Condition: Several of the rural health grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

29. RHH PAYROLL DISBURSEMENTS

Condition: Several of the rural health grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

30. WIC PAYROLL AUTHORIZATION

Condition: Several of the WIC grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: If the authorized payroll amount is not on file, it is possible to incorrectly pay employees.

Recommendation: All current authorized payroll amounts should be on file.

31. WIC PAYROLL DISBURSEMENTS

Condition: Several of the WIC grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

32. PATIENT CONFIDENTIALITY STATEMENT

Condition: Some of the personnel files on the WIC Program employees did not contain a signed patient confidentiality statement.

Criteria: The grant requires that employees with access to patient information sign a statement that all patient records are confidential.

Effect: The grant support could possibly be reduced.

Recommendation: All employee files should be updated to ensure that they contain a signed patient confidentiality statement.

33. TIME SHEETS

Condition: As a result of our tests, we noted that some of the WIC Program employee pay checks were not supported by time sheets.

Criteria: The grant requires that all activities be supported by source documents.

Effect: The grant support could possibly be reduced.

Recommendation: All WIC Program pay checks should be supported by approved time sheets.

34. CORPORATE BYLAWS

Condition: The Board of Directors cannot. Composition and Bylaws do not fully meet the requirements for the 42CFR 884.304.

Criteria: The RIE Grant requires that the composition and selection of members be in accordance with the requirements of 42CFR 884.304.

Effect: Failure of the governing board to meet the RIE Grant requirements, could result in grant restrictions.

Recommendation: The Board should take steps to follow all federal mandates of the RIE Grant.

35. AUTHORIZING SIGNATURES

Condition: Some of the pay checks for the WIC Program did not contain two (2) authorizing signatures.

Criteria: All checks are required to have two (2) authorized signatures.

Effect: Without the correct number of authorized signatures, disbursements could be made without direct Board approval.

Recommendation: All checks should have two (2) authorized signatures.

36. PAID INVOICES

Condition: There were instances where some of the invoices for the WIC Program could not be located.

Criteria: As per the grant contracts, the organization is required to keep source documents on file for at least (3) years.

Effect: The organization could possibly have increased grant restrictions.

Recommendation: We recommend that all invoices be kept on file and cancelled with the carbon copy of the check stapled to the outside.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe if taken cumulatively the reportable conditions described above are a material weakness. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our examination of the financial statements of Natchitoches Outpatient Medical Center, Inc. for the year ended January 31, 1997.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants

September 30, 1997



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Natchitoches Outpatient Medical Center, Inc. is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Natchitoches Outpatient Medical Center, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our engagement to audit the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in Natchitoches Outpatient Medical Center, Inc.'s January 31, 1997 financial statements.

The conditions of noncompliance noted are described below:

	Number of Items to Examine	Number of Items Listed	Number of Items/Part to Complete	Index Addressed of Presentation	Index Address/ Index Listed	Index Address of Base Test in Commentary	Amount of Observation (C/pt)
1. NURSING NOTES							
Condition: The Southcoast Veterans Medical Center, Inc. (VCMC) is a non-profit veterans affairs medical treatment facility.	10,000	100	60	4	4	4	4
Criteria: The regulations require that all patients who use pay the services for (budget according to a sliding fee schedule).							
Effect: If the Organization does not clearly define/document the patient payment plan, there will not be able to collect all funds due.							
Recommendation: The facility should verify all patient income and activity documentation to be printed file.							
2. BANK RECONCILIATIONS							
Condition: Bank reconciliations were not performed on a regular monthly basis as agreed in the general ledger cash account.	24	24	24	4	4	4	4
Criteria: Cash receipts are required to be reconciled all items of the organization.							
Effect: If the organization maintains an appropriate cash ledger and not be aware of the problems that timely occurs.							
Recommendation: All bank accounts should be reconciled monthly with their corresponding bank statements and should be compared to the bank statement that they agree.							
3. PURCHASING SYSTEM							
Condition: The current system does not insure that purchases of supplies and materials are made for the lowest available price. As a consequence of federal dollars, the organization is permitted to purchase goods from vendors under the Economic Order System.	4	4	4	4	4	4	4
Criteria: Organizations receiving federal assistance must adhere to alternative procurement processes. The grant pays better to ensure that all purchases for goods be necessary and responsible for the proper administration of the program.							

*Effective after revised and accountability as are applicable.

	Number of Items in Provision	Number of Items Linked	Number of Items Not in Consideration	Number of Items Linked to Assessment of Sustainability	Number of Items Linked to ESG Assessment of Sustainability	Number of Items Linked to ESG Assessment of Sustainability	Number of Items Linked to ESG Assessment of Sustainability
3. PENSIONING SYSTEM (continued)							
ESG: The resulting effect is that the organization will pay more for goods than it is willing to tolerate.							
Recommendation: The organization should consider the possibility of using and/or procuring its own items or possible other (non) options.							
4. CONTRACT VIOLATIONS							
Conditions: We consider the organization was not making monthly payments under one (1) of their equipment.	2	1	2	4	4	4	4
Criteria: The lease contract requires that the organization make monthly payments under the terms of the agreement.							
ESG: If the organization is found by the lease holder to violate all the terms of the agreement, the lease could expire the start of the start.							
Recommendation: It is to avoid credit facility in the organization, all equipment under contract agreement should be returned to.							
5. 401 (K) FEDERAL TAX RETURN							
Conditions: The payroll tax liability organization the firm will not increase.	4	4	2	4	4	4	4
Criteria: For the year ended December 31, 2016, the organization did not increase payment of payroll tax liability for individuals who earn more than \$12,500.							
ESG: The organization is required to report the annual necessary payroll tax.							
Recommendation: The organization should review the tax rates published in the Circular K, Employee's Tax Guide.							
6. COST REPORTS							
Conditions: The organization did not file the Medicare and Medicaid cost reports for 2016 and 2017 in a timely manner.	2	2	2	4	4	4	4

*ESG is a cost center, not investment or opportunity.

	Number of Items Examined	Number of Items Closed	Number of Items Not in Compliance	Dollar Amount of Dollars Examined	Dollar Amount of Dollars Closed	Dollar Amount of Dollars Not in Compliance	Amount of Questioned Costs
6. COST REPORTS (continued)							
Findings: In order for the organization to receive payment for its Medicaid and Medicare claims, the organization is required to file annual cost reports.							
Effect: The funds due the organization will not be paid until the cost reports are filed.							
Recommendation: The organization should take steps to ensure that the cost reports are filed by the due date.							
7. REVENUE REPORTS OF SERVICES							
Findings: The financial transactions for the year ended January 31, 1997 were not posted to a general ledger.	*	*	*	*	*	*	*
Criteria: GAAP Chapter 4-110 requires that the financial management system provide an accurate, current and complete disclosure of the financial results of each financial statement period.							
Effect: The general ledger was not ready for reviewing or filing (discovery) with your audit team.							
Recommendation: In order to reduce the risk of errors or omissions, the accounting system should be tested at least in conjunction with the audit team.							
8. RESULTS OF OPERATIONS							
Findings: The financial position of the organization was not compared to the budget on a regular basis.	*	*	*	*	*	*	*
Criteria: GAAP Chapter 4-110 requires that the financial management system provide a comparison of actual results with budget amounts for each period.							
Effect: The organization was unable to quickly identify cost trends.							

* (0) or (1) other items, not measurable or not applicable.

	Number of Items in Exemption	Number of Items Lost	Number of Items Not in Compliance	Dollar Amount of Exemption	Dollar Amount Items Lost	Dollar Amount of Items Not in Compliance	Amount of Shortfall Lost
6. RESULTS OF OPERATION (continued)							
Recommendation: The financial statements should be prepared in accordance with GAAP.							
7. FIXED ASSETS							
Condition: Policies that are established to control risks associated with capital or expanded assets are being followed.	1	1	1	1	1	1	1
Criteria: OMB Circular A-119 requires that the financial management system provide effective, practical and reasonable control and accountability of all property.							
Effect: Without the utilization of property records, it is possible for the misappropriation of corporate assets.							
Recommendation: Company policies should be established to ensure that all assets, whether in professional structures being capitalized and retained on the asset inventory list.							
8. PROPERTY LOSS							
Condition: The fixed assets do not have property control tags.	1	1	1	1	1	1	1
Criteria: In accordance with OMB Circular A-119, components of fixed resources should adequately safeguard all assets.							
Effect: Without the tags being applied, it will not be readily possible to know which assets belong to the corporation.							
Recommendation: The three systems of which these components controlled by the fixed asset group, should have an identifying sticker or label affixed to it. The sticker should have an identifying property number and it should also state that the asset is property of the Massachusetts Corporate Medical Center, Inc.							

¹ There is either normal, non-reimbursable or no application.

	Number of Items in Inventory	Number of Items Lost	Number of Items in Compliance	Dollar Amount of Inventory	Dollar Amount of Items Lost	Dollar Amount of Items in Compliance	Assessed Quantity of Cash
10. ASSET IDENTIFICATION							
Conditions: The inventory for which copies to permit all listed assets, did not adequately identify the source assets of the Massachusetts Correctional Medical Center, Inc.							
Criteria: Inventory to safeguard the assets in accordance with the OMB Circular, the asset inventory list should be complete.							
Effects: Without all assets being recorded assets were lost, the organization will not be able to adequately safeguard all assets.							
Recommendations: All assets recorded on the asset inventory list should be identified in asset records where possible and assign ID numbers.							
11. PHYSICAL INSPECTIONS - PROPERTY AND EQUIPMENT							
Conditions: The organization does not typically conduct a physical inventory of property and equipment on an annual basis.							
Criteria: In accordance with the OMB Circular 4-78, the recipients of federal assistance should adequately safeguard all assets.							
Effects: Unless someone conducts physical inspections on an annual basis, discrepancies could be misapprehended.							
Recommendations: The organization should have records from the accounting department conducted an annual physical inventory.							
12. SALES TAX	21	11	10	\$1,104	\$1,104	\$1,104	\$1,111
Conditions: The organization has been paying 9.5% sales tax on utilities under the expired term of the modular building in Fall River.							
Criteria: In accordance with state law, the organization is not responsible for sales tax on a modular building which is erected and permanently fixed to the location.							
Effects: The organization incorrectly paid sales tax to D.E. Caputo.							

*Effect is either stated, assessable or not applicable.

	Number of Internal Dispositions	Number of Items -Noted	Number of Items Not in Compliance	Dollar Amount of Excesses	Dollar Amount From Leases	Dollar Amount of Items Not in Compliance	Amount of Operational Loss
13. UNLIS TMS AGREEMENT							
Recomendation: The organization should approach ULI Capital and make every attempt to reduce the contract lease obligations by the occupied centers.							
14. LEASE AGREEMENTS							
Condition: Reviewed the terms of the lease documents were not as the written the office.	7	7	4	4	4	4	4
Criteria: In order to properly execute all contractual obligations, the office should maintain all contracts in their present form.							
Effect: Withdrawing the contracts usually available for comparison the organization could reduce the terms of the agreement and be exposed to necessary loss.							
Recommendation: All contracts should be maintained in the office.							
15. IRM UNLIS RETURNS							
Condition: From IRS annual returns are return, returned filed on time for the years ended January 31, 1999 and 1997.	2	2	2	4	4	4	4
Criteria: Internal Revenue procedures require that the returns be filed by the following 31 day of the 15th month following the close of the fiscal year.							
Effect: The organization could be subjected to penalties upto 25,000 per year for return.							
Recommendation: The organization should have the return prepared and filed in a timely manner.							
16. LATE OVERT PAYMENTS							
Condition: The organization did not file their January 31, 1997 audit report with the State of Louisiana or their payment agency within the required time frame.	1	1	1	4	4	4	4

Effect numbers normal, see recommendations for application.

	Number of Items in Database	Number of Items Listed	Number of Items Not in Compliance	Dollar Amount of Compliance	Dollar Amount Items Listed	Dollar Amount of Items Not in Compliance	Percent of Compliance Rate
14. LATE ITEM REPORTS (continued)							
Criteria:	In accordance with State law, the audit database file tracks the items of liability which are not timely reported about the fiscal year. The database file consists of liability and interest items reported but do not include items from 90 months.						
Effect:	The organization could possibly be subjected to further penalties.						
Recommendation:	The organization should take steps to ensure that the audit is performed in a timely manner.						
15. RECEIVABLE PAYABLE							
Criteria:	1	1	1	0	1	4	4
Criteria:	The accounts payable subsidiary journal was not maintained and regular items not filed and open to the general ledger.						
Criteria:	In accordance with State Code 4-10, the financial manager is required to provide for certain requirements disclosure of the financial activities.						
Effect:	The organization was unable to properly analyze their financial position.						
Recommendation:	Steps should be taken to ensure that all accounts payable remaining are recorded on the books and are filed in the subsidiary journal by receipt and amount.						
16. ACCOUNTS RECEIVABLE							
Criteria:	1	1	1	0	1	4	4
Criteria:	The accounts receivable subsidiary journal was not maintained on a daily basis and filed and open to the general ledger.						
Criteria:	In accordance with State Code 4-10, the financial management system should provide for certain and accurate disclosure of the financial activities.						
Effect:	The organization was not able to properly analyze their financial position.						

* If the 0 is either normal, not recommended or not applicable.

	Number of Items in Exemption	Number of Items Excluded	Number of Items that are Excluded	Dollar Amount of Exemption	Dollar Amount of Items Not in Exemption	Dollar Amount of Items Not in Exemption	Number of Inventory Items
10. ACCOUNTS RECEIVABLE (continued)							
Business relations: Steps should be taken to ensure that all accounts receivable receivable are recorded on the books and are identifiable the customer's payment to vendor and amount.							
10. LOUISIANA STATE GRANT							
Conditions: The organization estimated under State of Louisiana agency amount of \$10,000.	1	1	1	1	1	1	1
Criteria: The grant conditions received for operational purposes.							
Effect: Indicates a management system.							
Business relations: Steps should be made to ensure the management level.							
10. MINERAL SUPPLIES INVENTORY							
Conditions: The organization has not identified a physical inventory of mineral items.	1	1	1	1	1	1	1
Criteria: In accordance with the GRS Circular #10, the recipient of Federal Assistance should adequately safeguard all assets.							
Effect: Unless a physical inventory is conducted, a physical inventory could be misappropriated.							
Business relations: The organization should have a physical inventory conducted annually.							
11. SALE OF ASSETS							
Conditions: The organization sold several pieces of equipment without informed bid process.	1	1	1	1	1	1	1
Criteria: In order to ensure the maximum value for the items sold, the organization should have a policy in addition to the sale of assets through a bid process or through an authorized salesperson.							

* 1 Item in other column, not attributable to any specific.

		Number of Items in Condition	Number of Items Listed	Number of Items Not in Condition	Initial Amount of Condition	Initial Amount of Items Listed	Initial Amount of Items Not in Condition	Assessed Quarterly Levy
20.	SALE OF ASSETS (continued)							
	Effect: The organization was not allowed to sell assets to the beneficiaries to realize the fair value of the trust sold.							
	Recommendation: Unless any assets are sold, the accounting department should attempt to acquire an accurate valuation of performance public bid process.							
21.	STATE UNEMPLOYMENT TAX							
	Condition: The state quarterly general tax returns for the third and fourth quarter of 1988 were not filed or paid on time.	4	4	0	0	0	0	0
	Criteria: The organization is required to file and pay the state-mandated reports by the 15th of July and January of 1988.							
	Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalties and interest.							
	Recommendation: All tax filing and paying deadlines should be strictly adhered to.							
22.	PAYROLL TAX REPORTS							
	Condition: The federal payroll tax returns from 1988 for the year were needed for the management of tax.	7	7	0	0	0	0	0
	Criteria: The organization is required to deposit and pay these tax returns to a banking institution.							
	Effect: Due to the failure to properly timely make the tax reports, the 1 State debt/creditor group exists.							
	Recommendation: The reports should be appropriately made by a responsible individual.							

* If this is a direct amount, use appropriate price appropriate.

	Number of Items to Expedite	Number of Items (Total)	Number of Items Not to Expedite	dollar amount of Expenditures	dollar amount of Items (Total)	dollar amount of Items Not to Expedite	amount of Operations Lost
19. EMPLOYEES' WAGE FORMS							
Conditions: The social security tax and social security wages were incorrectly reported on the W-2's for the year ended December 31, 1996.	15	15	0	0	0	0	0
Criteria: The social security wages calculable up of \$4,500.							
Effect: As a result of reporting social security wages higher than the cap, the social security withheld underpayments the W-2 was incorrect.							
Recommendation: The amount withheld and reported on the W-2's should be in accordance with the Circular K, Chapter 9 for Social.							
20. WFC REEMPLOYMENT REQUIREMENTS							
Conditions: The reemployment conditions issued copies of the WFC Program's reemployment requirements for the period February 1996 thru July 1996. As a result the reemployment had to obtain copies from the State.	24	24	0	0	0	0	0
Criteria: The audit requires that all original grant documents be kept on file for a minimum of five (5) years.							
Effect: The regulations could be subjected to administrative activities.							
Recommendation: All original grant copies documents should be kept on file for a period of five (5) years.							
21. WFC GRANT DISBURSED							
Conditions: Disbursement checks were made payable to cash.	42	10	2	\$4,900	\$4,000	\$400	\$100
Criteria: The WFC Program grant requires all checks to be made payable to a vendor.							

*Effect is either minimal, not determinable or not applicable.

		Number of Items in Violation	Number of Items - Total	Number of Items Not in Compliance	Public Account of Foundation	Public Account of State - Legal	Public Account of State - Compliance	Amount of Unlawful Cash
16.	THE INVESTMENTS (continued)							
	Criteria: The organization could be subject to increased grant restrictions.							
	Recommendation: The finance chair should be made aware of the implications of such.							
17.	THE EXPENDITURE REPORT							
	Criteria: While reporting reimbursement funds, the organization did not complete and submit a statement report for the month and for the grant period according to budget category.	24	24	24	*	*	*	*
	Criteria: In preparing their requests under a health expenditure grant consisting of over 20 columns, correct columns and years to date, completed by budget category.							
	Effect: The organization could be subject to increased grant restrictions.							
	Recommendation: The organization should follow all grant requirements in the contract.							
18.	THE FINANCIAL INFORMATION							
	Criteria: Several of the most health grant employ would not have an individual paper/online documentation their file.	10	13	13	*	*	*	*
	Criteria: In order to comply with grant requirements, all employees under the most health grant should have their individual report on file.							
	Effect: As a result of not updating the employees' files for payroll changes, it is impossible to all relevant employees were correctly paid.							
	Recommendation: All current authorized payroll amounts should be on file.							

* Effect is either neutral, not measurable or not applicable

		Number of Items in Question	Number of Items Closed	Number of Items Not in Compliance	Dollar Amount of Violations	Dollar Amount Items Closed	Dollar Amount of Items Not in Compliance	Percent of Question's Costs
26.	WC PAYROLL DISBURSEMENTS							
	Condition: Several of the retail health plan employees' payroll did not appear in their authorized payroll account statements in their file.	26	26	0	0	0	0	0
	Criteria: In order to comply with plan requirements, all employees under the health plan should have their authorized payroll on file.							
	Effect: As a consequence regarding the employees' files the payroll changes, it is impossible to tell whether the employees were correctly paid.							
	Recommendation: All correct authorized payroll amounts should be on file.							
27.	WC PAYROLL DISBURSEMENTS							
	Condition: Several of the WC plan employees did not have an authorized payroll account statement on file.	27	27	0	0	0	0	0
	Criteria: In order to comply with plan requirements, all employees under the WC plan should have their authorized payroll on file.							
	Effect: If the authorized payroll amount is not on file, it is possible to incorrectly pay employees.							
	Recommendation: All correct authorized payroll amounts should be on file.							
28.	WC PAYROLL DISBURSEMENTS							
	Condition: Several of the WC plan employees' payroll did not appear in their authorized payroll account statements in their file.	28	28	0	0	0	0	0
	Criteria: In order to comply with plan requirements, all employees under the WC plan should have their authorized payroll on file.							

*Other numbers shown, not necessarily in order applicable.

	Number of Items to Examine	Number of Items (Excl)	Number of Items Met in Examination	Dollar Amount of Exposures	Dollar Amount of Items (Excl)	Dollar Amount of Items Paid in Examination	Percent of Exposures Paid
33. WFC PAYROLL DEDUCTIONS is continuously							
Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.							
Recommendation: All payroll adjustment journal entries should be run 10/1.							
34. PAYROLL CONFIDENTIALITY STATEMENT							
Condition: Some of the personal files on the WFC Program employees' desks contain original payroll confidentiality statements.	14	0	0	\$	\$	0	0
Criteria: The grant requires that employees with access to system information sign a statement that all payroll records are confidential.							
Effect: The grant requires that payroll records be protected.							
Recommendation: All employee files should be updated to assure that they contain appropriate confidentiality statements.							
35. TIME SHEETS							
Condition: As a result of our tests, we noted that some of the WFC Program employees pay checks were not supported by time sheets.	166	0	0	\$107,489	\$106,013	\$63	100
Criteria: The grant requires that all work files be supported by source documents.							
Effect: The grant requires that payroll records be protected.							
Recommendation: All WFC Program pay checks should be supported by appropriate time sheets.							
36. CORPORATE BYLAWS							
Condition: The Board of Directors (Bank/Comptroller and Excl) should fully meet the requirements for the NCTE 081.009.	0	0	0	\$	\$	0	0

0/None is either normal, non-compliance or not applicable.

		Number of Items to Be Audited	Number of Items Audited	Number of Items Paid in Controversy	Dollar Amount of Expenses	Dollar Amount of Items Paid in Controversy	Dollar Amount of Items Not in Controversy	Amount of Questioned Costs
34. CORPORATE BYLAWS (continued)								
	Criteria: The BSB Case requires that the composition and election of members be in accordance with the requirements of 20 CFR 302.303.							
	Effect: Failure of the governing board to meet the BSB Case requirements could result in grant suspensions.							
	Recommendation: The Board should take steps to follow all federal mandates of the BSB Case.							
35. WITHHOLDING CHECKS (FERS)								
	Condition: Some of the prior checks for the WFC Program did not contain the CI underlying signature.	126	23	0	\$107,660	\$1,600	406	0
	Criteria: All checks are required to have the CI underlying signature.							
	Effect: Withholding certain number of unendorsed payments; disbursements could be made without direct Board approval.							
	Recommendation: All checks should have the CI underlying signature.							
36. FERS PAYMENTS								
	Condition: Three prior invoices reflect errors of the invoices for the WFC Program could not be issued.	443	0	0	\$4,000	\$4,000	\$4,000	\$4,000
	Criteria: Except the grant payments, the Department is required to keep correct documents on file for actual FERS pay.							
	Effect: The organization could possibly have increased grant revenues.							
	Recommendation: We recommend that all invoices for pay on file and reconciled with the payroll pay roll be checked to be correct.							
					Total			\$17,020

* FICA and other control, not attributable as not applicable.

We considered these instances of noncompliance in assessing whether Massachusetts Outpatient Medical Center, Inc.'s January 31, 1997 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated September 28, 1997, on those financial statements.

This report is issued for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants
September 30, 1997



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL AWARDS

To the Board of Directors
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. These financial statements are the responsibility of the Organization's management. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the engagement to 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We were unable to express an opinion on the financial statements because of a scope limitation.

Our engagement to audit was conducted for the purpose of forming an opinion on the basic financial statements of Natchitoches Outpatient Medical Center, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the engagement to audit the basic financial statements and due to the scope limitation, we are unable to express an opinion on the Schedule of Federal Awards and to the basic financial statements taken as a whole.

Certified Public Accountants
September 30, 1997

**NATCHITOCHIES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHIES, LOUISIANA**

**SCHEDULE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JANUARY 31, 1997**

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY PASS THROUGH NUMBER</u>	<u>EXHIBITIONS/ EXPENDITURES</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICE			
Direct Assistance:			
Community Health Center Rural Health Initiative Grant (002)*	90.224	CG 600-31-110	\$ 1,877,043
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed through Louisiana Department of Health and Hospitals:			
Women, Infants and Children (WIC)*	10.557	N/A	<u>254,333</u>
Total Expenditures:			<u>\$ 2,131,376</u>

*Major Federal Awards Program



MEMBER
AMERICAN COLLEGE OF
CERTIFIED PUBLIC ACCOUNTANTS
OFFICE OF THE CHIEF ACCOUNTANT

MEMBER
INSTITUTIONAL INVESTOR
CERTIFIED PUBLIC ACCOUNTANTS
OFFICE OF THE CHIEF ACCOUNTANT

DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

To the Board of Directors
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. We have also audited the compliance of Natchitoches Outpatient Medical Center, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated September 30, 1997.

We conducted our engagement to audit the financial statements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller in Chief of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Natchitoches Outpatient Medical Center, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our engagement to audit for the fiscal year ended January 31, 1997, we considered the internal control structure of Natchitoches Outpatient Medical Center, Inc. in order to determine our procedures for the purpose of expressing our opinions on the financial statements of Natchitoches Outpatient Medical Center, Inc. and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our engagement to audit of the financial statements in a separate report dated September 30, 1997.

The management of Northcoast Outpatient Medical Center, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the federal award program is managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

General Requirements

Political activity

Civil rights

Cash management

Federal financial reports

Allowable costs/cost principles

Drug-free workplace

Administrative requirements

Specific Requirements

Types of services allowed/disallowed

Eligibility

Matching level of effort

Reporting

Claims for advances and reimbursements

Amounts claimed or used for matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal year ended January 31, 1993, the Northcoast Outpatient Medical Center, Inc. expended 100 percent of its total federal awards under the major programs listed in the Schedule of Federal Awards.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed as used for matching that are applicable to the aforementioned major programs which is identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to administer federal award programs in accordance with applicable laws and regulations.

These reportable conditions include:

1. SLIDING FEES

Condition: The Natchitoches Outpatient Medical Center, Inc., did not consistently obtain income verification from patients.

Criteria: The regulations require that all patients who can pay for services be charged according to a sliding fee schedule.

Effect: If the Organization does not check and document the patient income, the Clinic will not be able to collect all funds due.

Recommendation: The Clinic should verify all patient income and include documentation in the patient file.

2. BANK RECONCILIATIONS

Condition: Bank reconciliations were not performed on a regular monthly basis or agreed to the general ledger cash accounts.

Criteria: Grant recipients are required to safeguard all assets of the organization.

Effect: The organization could have misappropriated grant funds and not be aware of the problem in a timely manner.

Recommendation: All bank accounts should be reconciled monthly with their corresponding bank statements and should be compared to the books to ensure that they agree.

3. PURCHASING SYSTEM

Condition: The current system does not ensure that purchases of supplies and materials are made for the lowest available price. As a recipient of federal dollars, the organization is permitted to purchase goods from vendors under the Louisiana State contract.

Criteria: Organizations receiving federal assistance must adhere to allowable cost/price principles. The grant goes further to require that all purchases for goods be necessary and reasonable for the proper administration of the program.

Effect: The resulting effect is that the organization will pay more for goods than is necessary or reasonable.

Recommendation: The organization should centralize the purchasing function and purchase as many items as possible under state contract.

4. CONTRACT VIOLATIONS

Condition: We noted that the organization was not making monthly payments under two (2) of their capital leases.

Criteria: The lease contracts require that the organization make monthly payments under the terms of the agreement.

Effect: If the organization is found by the lender to be in default of the terms in the agreement, the lender could require the return of the asset.

Recommendation: In order to avoid undue hardship on the organization, all requirements under contractual agreements should be adhered to.

5. 941 PAYROLL TAX RETURN

Condition: The payroll tax liability reported on the form 941 was incorrect.

Criteria: For the year ended December 31, 1996, the organization did not limit the amount of social security tax paid for individuals who are paid more than \$62,700.

Effect: The organization overpaid the social security payroll tax.

Recommendation: The organization should review the tax rules published in the Circular E, Employer's Tax Guide.

6. COST REPORTS

Condition: The organization did not file Medicare and Medicaid cost reports for 1996 and 1997 in a timely manner.

Criteria: In order for the organization to recover amounts due for Medicaid and Medicare claims, the organization is required to file annual cost reports.

Effect: The funds due the organization will not be paid over in a timely manner.

Recommendation: The organization should take steps to ensure that the cost reports are filed by the due date.

7. FINANCIAL STATEMENTS

Condition: The financial transactions for the year ended January 31, 1997 were not posted to a general ledger.

Criteria: OMB Circular A-110 requires that the financial management system provide an accurate, current and complete disclosure of the financial results of each federally sponsored project.

Effect: Irregularities could occur as a result of not having an accounting system in accordance with grant requirements.

Recommendation: In order to reduce the risk of errors or irregularities, the accounting system should record all financial transactions in the books in a timely manner.

8. RESULTS OF OPERATION

Condition: The financial position of the organization was not compared to the budget on a regular basis.

Criteria: OMB Circular A-110 requires that the financial management system provide a comparison of outlays with budget amounts for each award.

Effect: The organization was unable to properly manage grant results.

Recommendation: The financial statements should be compared to the budget on a regular basis.

9. FIXED ASSETS

Condition: Policies that are established to control which assets are capitalized or expensed are not being followed.

Criteria: OMB Circular A-110 requires that the financial management system provide effective controls over and accountability of all property.

Effect: Without the utilization of property controls, it is possible for the misappropriation of corporate assets.

Recommendation: Control policies should be modified to ensure that all assets which cost a predetermined amount are being capitalized and recorded on the asset inventory list.

10. PROPERTY TAGS

Condition: The fixed assets do not have property control tags.

Criteria: In accordance with OMB Circular A-110, recipients of federal assistance should adequately safeguard all assets.

Effect: Without the assets being tagged, it will not be readily possible to know which assets belong to the corporation.

Recommendation: The items purchased, which meet requirements established by the board for fixed assets, should have an identifying sticker or decal affixed to it. The sticker should have an identifying property number and it should also state that the asset is property of the Marshfield Outpatient Medical Center, Inc.

11. ASSET INVENTORY LIST

Condition: The inventory list, which serves to control all fixed assets, did not adequately identify the assets owned by the Marshfield Outpatient Medical Center, Inc.

Criteria: In order to safeguard the assets in accordance with the OMB Circular, the asset inventory list should be complete.

Effect: Without all assets being recorded on the asset list, the organization will not be able to adequately safeguard all assets.

Recommendation: All assets recorded on the asset inventory list should be identified by a serial number when possible and a tag ID number.

12. PHYSICAL INSPECTION - PROPERTY AND EQUIPMENT

Condition: The organization does not formally conduct a physical inventory of property and equipment on an annual basis.

Criteria: In accordance with the OMB Circular A-110, the recipients of federal assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, fixed assets could be misappropriated.

Recommendation: The organization should have someone from the accounting department conduct an annual physical inventory.

13. SALES TAX

Condition: The organization has been paying \$488.97 a month in sales tax on the capital lease of the modular building in Tallahassee.

Criteria: In accordance with state law, the organization is not responsible for sales tax on a modular building which is erected and permanently fixed to the location.

Effect: The organization incorrectly paid sales tax to G.E. Capital.

Recommendation: The organization should approach G.E. Capital and make every attempt to reduce the capital lease obligation by the overpaid sales tax.

14. LEASE AGREEMENTS

Condition: We noted that some of the lease documents were not on file within the office.

Criteria: In order to properly execute all contractual obligations, the Clinic should maintain all contracts in their current files.

Effect: Without having the contracts readily available for inspection, the organization could violate the terms of the agreement and be exposed to monetary loss.

Recommendation: All contracts should be maintained in the office.

15. FORM 990 TAX RETURN

Condition: Form 990, annual income tax return, was not filed on time for the years ended January 31, 1996 and 1997.

Criteria: Internal Revenue procedures require that the returns be filed by the fifteenth (15) day of the fifth month following the close of the fiscal year.

Effect: The organizations could be subjected to penalties up to \$5,000 per year per return.

Recommendation: The organization should have the returns prepared and filed in a timely manner.

16. LATE AUDIT REPORT

Condition: The organization did not file their January 31, 1997 audit report with the State of Louisiana or their cognizant agency within the required time frame.

Criteria: In accordance with State law, the audit should be filed with the State of Louisiana within six (6) months from the close of the fiscal year. The United States Department of Health and Human Services requires that the audit be filed within four (4) months.

Effect: The organization could possibly be subjected to further grant restrictions.

Recommendation: The organization should take steps to ensure that the audit is performed in a timely manner.

17. ACCOUNTS PAYABLE

Condition: The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-110, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts payable outstanding are recorded on the books and are listed on the subsidiary journal by vendor and amount.

18. ACCOUNTS RECEIVABLE

Condition: The accounts receivable subsidiary journal was not maintained on a daily basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-110, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded on the books and are listed in the subsidiary journal by vendor and amount.

19. LOUISIANA STATE GRANT

Condition: The organization refunded to State of Louisiana a grant amount of \$150,000.

Criteria: The grant could have been used for operational purposes.

Effect: Inefficient cash management system.

Recommendation: Attempts should be made to recover the returned grant funds.

20. MEDICAL SUPPLIES INVENTORY

Condition: The organization does not formally conduct a physical inventory on an annual basis.

Criteria: In accordance with the OMB Circular A-110, the recipients of Federal Assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, supplies could be misappropriated.

Recommendation: The organization should have someone conduct an annual physical inventory.

21. SALE OF ASSETS

Condition: The organization sold several pieces of equipment without a formal bid process.

Criteria: In order to receive the maximum dollars for the items sold, the organization should have a policy to authorize the sale of assets through a bid process or through an external valuation procedure.

Effect: The organization was not allowed to sell assets to the highest bidder or receive the true value of the assets sold.

Recommendation: Before any assets are sold, the accounting department should attempt to acquire an external valuation or perform a public bid process.

22. STATE UNEMPLOYMENT TAX

Condition: The state quarterly payroll tax returns for the third and fourth quarter of 1996 were not filed or paid on time.

Criteria: The organization is required to file and pay the aforementioned reports by October 31, 1996 and January 31, 1997.

Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalties and interest.

Recommendations: All tax filing and paying deadlines should be strictly adhered to.

23. PAYROLL TAX DEPOSITS

Condition: The federal payroll tax coupon forms 8109 for the year were marked for the incorrect type of tax.

Criteria: The organization is required to deposit and pay Form 941 taxes to a banking institution.

Effect: Due to the failure to appropriately mark the tax coupons, the Clinic didn't receive proper credit.

Recommendations: Tax coupons should be appropriately marked by a responsible individual.

24. EMPLOYEE W-2 FORMS

Condition: The social security tax and social security wages were incorrectly reported on some of the W-2s for the year-ended December 31, 1996.

Criteria: The social security wages exceeded the cap of \$62,700.

Effect: As a result of reporting social security wages higher than the cap, the social security withheld and reported on the W-2 was incorrect.

Recommendations: The amount withheld and reported on the W-2s should be in accordance with the Circular E, Employer's Tax Guide.

15. WIC REIMBURSEMENT REQUESTS

Condition: The organization could not locate copies of the WIC Program's reimbursement reports for the period February 1996 thru July 1996. As a result, the organization had to obtain copies from the State.

Criteria: The grant requires that all original grant documents be kept on file for a minimum of four (4) years.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: All original grant source documents should be kept on file for a period of four (4) years.

16. WIC DISBURSEMENTS

Condition: Disbursement checks were made payable to cash.

Criteria: The WIC Program grant requires, all checks be made payable to a vendor.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: In the future, checks should be made payable to the recipient and not cash.

17. WIC EXPENDITURE REPORT

Condition: When requesting reimbursement funds, the organization did not complete and submit a disbursement report for the month and for the grant period according to budget category.

Criteria: The grant requires that recipients submit a monthly expenditure report consisting of two (2) columns, current expenses and a year to date, categorized by budget category.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: The organization should follow all grant requirements in the contract.

18. RHI PAYROLL AUTHORIZATION

Condition: Several of the rural health grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

19. RHI PAYROLL DISBURSEMENTS

Condition: Several of the rural health grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

20. WIC PAYROLL AUTHORIZATION

Condition: Several of the WIC grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: If the authorized payroll amount is not on file, it is possible to incorrectly pay employees.

Recommendation: All current authorized payroll amounts should be on file.

21. WIC PAYROLL DISBURSEMENTS

Condition: Several of the WIC grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

32. PATIENT CONFIDENTIALITY STATEMENT

Condition: Some of the personnel files on the WIC Program employees did not contain a signed patient confidentiality statement.

Criteria: The grant requires that employees with access to patient information sign a statement that all patient records are confidential.

Effect: The grant support could possibly be reduced.

Recommendation: All employee files should be updated to ensure that they contain a signed patient confidentiality statement.

33. TIME SHEETS

Condition: As a result of our tests, we noted that some of the WIC Program employee pay checks were not supported by time sheets.

Criteria: The grant requires that all activities be supported by source documents.

Effect: The grant support could possibly be reduced.

Recommendation: All WIC Program pay checks should be supported by approved time sheets.

34. CORPORATE BYLAWS

Condition: The Board of Directors current Composition and Bylaws do not fully meet the requirements for the 42CFR 581c.304.

Criteria: The RIE Grant requires that the composition and selection of members be in accordance with the requirements of 42CFR 581c.304.

Effect: Failure of the governing board to meet the RIE Grant requirements, could result in grant restrictions.

Recommendation: The Board should take steps to follow all federal mandates of the RIE Grant.

55. AUTHORIZING SIGNATURES

Condition: Some of the pay checks for the WIC Program did not contain two (2) authorizing signatures.

Criteria: All checks are required to have two (2) authorized signatures.

Effect: Without the correct number of authorized signatures, disbursements could be made without direct board approval.

Recommendation: All checks should have two (2) authorized signatures.

56. PAID INVOICES

Condition: There were instances where invoices could not be located.

Criteria: As per the grant contracts, the organization is required to keep source documents on file for at least (4) years.

Effect: The organization could possibly have increased grant restrictions.

Recommendation: We recommend that all invoices be kept on file and associated with the carbon copy of the check stapled to the outside.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions noted above involving the internal control structure and its operation are a material weakness. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of Matchless Outpatient Medical Center, Inc. With requirements applicable to its major federal award programs for the year ended January 31, 1997, and this report does not affect our report through dated September 30, 1997.

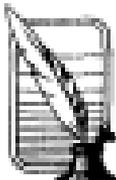
dated September 30, 1997.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants

September 30, 1997



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARDS PROGRAMS**

To the Board of Directors
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We have applied procedures to test the compliance of Natchitoches Outpatient Medical Center, Inc. with the following requirements applicable to its federal awards programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended January 31, 1997: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, drug free work place, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Natchitoches Outpatient Medical Center, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, Natchitoches Outpatient Medical Center, Inc., complied with the requirements listed in the second paragraph, except, as described in the attached schedule. However, the extent of noncompliance noted in our testing indicates that, with respect to items that were not tested by us, there is more than a relatively low risk that Natchitoches Outpatient Medical Center, Inc. may not have complied with the requirements referred to in the second paragraph. These

matters were considered by us in evaluating whether the financial statements are presented fairly in conformity with generally accepted accounting principles.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants
September 30, 1987



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

To the Board of Directors
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (its nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. In our report, our opinion was declined because of a scope limitation.

We have also audited the compliance of Natchitoches Outpatient Medical Center, Inc. with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or cost-sharing; reporting; special terms and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal award programs, which is identified in the accompanying Schedule of Federal Awards, for the fiscal year ended January 31, 1997. The management of Natchitoches Outpatient Medical Center, Inc. is responsible for the Organization's compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

As a result of the noncompliance noted in the accompanying schedule of findings and questioned costs, the organization did not comply with the specific requirements governing its major programs.

In our opinion, because of the noncompliance referred to in the fourth paragraph, *Statbiotech Corporation Medical Center, Inc.* did not comply, in all material respects, with the requirements referred to in the second paragraph that are applicable to each of its major Federal award programs for the year ended January 31, 1997.

This report is intended for the information of the board of directors, management, and the United States Department of Health and Human Services. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants

September 30, 1997

NATCHITOCHUES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHUES, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONNAIRES IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AGENCY PROGRAM
 TRANSITIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997**

Program	Number of Items in Population	Number of Items Sampled	Number of Items Not in Compliance	Deficit Percent of Population	Deficit Percent of Total	Deficit Percent of Items Not in Compliance	Amount of Observation ...Dollars...
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
IEB PROGRAM							
SEMI-ANNUAL VISITS							
<p>Condition: The Natchitoches Outpatient Medical Center, Inc. did not consistently obtain informed authorization from patients.</p> <p>Criteria: The regulations require that all patients who undergo an invasive be obtained according to the coding for infection.</p> <p>Effect: If the Organization does not obtain and document the patient's consent, the Clinic will not be able to collect all funds due.</p> <p>Recommendation: The Clinic should verify all patient consents and include documentation in the patient file.</p>	100%	88	48	0	0	0	0
BANK RECONCILIATIONS							
<p>Condition: Bank reconciliations were not performed on a regular monthly basis or report to the parent's ledger each month.</p> <p>Criteria: These accounts are required to be reconciled at least monthly.</p> <p>Effect: The organization could have misappropriated program funds and not be aware of the problem in timely manner.</p> <p>Recommendation: All bank accounts should be reconciled monthly with the corresponding bank statements and should be compared to the books to insure that they agree.</p>	24	24	24	100	100	100	0

* Effect is either minimal, not measurable or not applicable.

NATIONAL CHIEF-DENTIST MEDICAL CENTER, INC.
 NATCHEZ, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AGRIBUS PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1991

Program	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
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FFIS PROGRAM

PURCHASING SYSTEM

Condition: The current system does not ensure that purchases of supplies and materials are made for the lowest available price. As a result of inflated prices, the organization is prevented to purchase goods from vendors under the Louisiana State contract.

Criteria: Organizations receiving federal assistance must adhere to the following procurement principles: (1) the goods purchased to ensure that all purchases are made by solicitation and competitive for the proper administration of the program.

Effect: The resulting effect is that the organization will pay more for goods than is necessary or reasonable.

Recommendation: The organization should consider the purchasing location and purchase to help secure possible vendor cost control.

EXPENSES PAYABLES

Condition: No exact double expensures was an existing monthly payments under 25% of their capital loans.

Criteria: The loan contracts require double expensures under the terms of the agreement.

Effect: If the organization is found by the lender to be in default of the terms under agreement, the lender could require the return of the loan.

Recommendation: In order to avoid any liability on the organization, all expensures under contractual agreement should be adhered.

* If zero is either minimal, not measurable or not applicable.

NATCHITOCHESE OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHESE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1987

Program	Number of Items in Exception	Number of Items Closed	Number of Items Not in Compliance	Dollar Amount of Exception	Dollar Amount Items Closed	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
WEL PROGRAM							
NO FEDERAL TAX RETURNS							
<p>Condition: The physician liability reported in the form 941 was incorrect.</p> <p>Criteria: For the year ended December 31, 1986, the organization did not include amount of social security tax paid for individuals who earn more than \$62,000.</p> <p>Effect: The organization overpaid the social security payroll tax.</p> <p>Recommendation: The organization should review the tax rules published in the (Circular E, Supplement) to the Code.</p>	4	4	2	*	*	*	*
EXCESS MEDICARE							
<p>Condition: The organization did not file Medicare and Medicaid cost reports for 1986 and 1987 in a timely manner.</p> <p>Criteria: In order for the organization to receive amounts due for Medicare and Medicaid claims, the organization is required to file annual reports.</p> <p>Effect: The funds due the organization will not be paid out in a timely manner.</p> <p>Recommendation: The organization should make steps to ensure that the cost reports are filed by the due date.</p>	10	10	10	*	*	*	*

* Effects rates minimal, unaccountable or an oversight.

HATFIELD-BELT OUTPATIENT MEDICAL CENTER, INC.
BATON ROUGE, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL ASSISTED PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1987**

Division	Number of Items in Questionnaire	Number of Items Correct	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Correct	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs*
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MBE PROGRAM

FINANCIAL STATEMENTS

Criterion: The financial statements for the year ending January 31, 1987 were prepared in agreed format.

Criteria: OMB's Circular A-133 requires that the financial management system provide an accurate, current and complete disclosure of the financial results of each federally sponsored project.

Effect: Compliance is achieved as a result of following an accounting method in accordance with past experience.

Reasons identified: In order to reduce the risk of errors on compliance, the accounting system should monitor financial transactions in the books in a timely manner.

MBE AS AN EXPENSE ITEM

Criterion: The financial position of the organization was not prepared in the budget on a regular basis.

Criteria: OMB's Circular A-133 requires that the financial management system provide a comparison of actual with budget amounts for each month.

Effect: The organization was unable to properly manage grant funds.

Reasons identified: The financial statements should be compared to the budget on a regular basis.

* Effect is either minimal and insignificant or not applicable.

NORTHCHEROKEE DRUGGISTS MEDICAL CENTER, INC.
NORTHCHEROKEE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH FEDERAL AND MEDICARE REQUIREMENTS APPLICABLE TO FEDERAL HEALTH PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

Program	Number of Items in Exception	Number of Items Cont'd.	Number of Items Not in Compliance	Dollar Amount of Exception	Dollar Amount from Cont'd.	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
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HEALTH PROGRAM

ASSET INVENTORY LIST

Condition: The inventory list, which serves to account all fixed assets, did not adequately identify the assets owned by the Northcherokee Druggists Medical Center, Inc.

Criteria: It is to be determined the assets in accordance with the OIG's Circular, the asset inventory list should be complete.

Effect: Without an asset listing recorded on the asset list, the organization will not be able to adequately safeguard its assets.

Recommendation: All assets recorded assets, their location, and should be identified in a serial number when possible and using ID number.

PHYSICAL INSPECTION, PROPERTY AND EQUIPMENT

Condition: The organization does not normally conduct a physical inventory of property and equipment on an annual basis.

Criteria: In accordance with the OIG's Circular, the A-118 development of fixed asset inventory should adequately safeguard all assets.

Effect: Under normal conditions a physical inspection on an annual basis, fixed assets could be misappropriated.

Recommendation: The organization should have someone from the accounting department conduct an annual physical inventory.

* Effect is either minimal and insubstantial or not applicable.

PATENTIFICER DISTRICT HOSPITAL CENTER, INC.
 MONROE, LOUISIANA

SCHEDULE OF FINISHED AND QUESTIONED COSTS IN COMPLIANCE
 WITH FEDERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1967

Project	Number of Items in Population	Number of Items Examined	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Examined	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
MR PROGRAM							
SALES TAX							
Condition: The organization has been paying \$480 in a month installment on the capital lease of the modular building as installed.	25	25	25	\$41,250	\$41,250	\$41,250	\$4,771
Criteria: In accordance with this law, the organization will be responsible for sales tax on a modular building which is owned and permanently fixed to the location.							
Effect: The organization has never paid sales tax on U.S. Capital.							
Recommendation: The organization should approach U.S. Capital and make every attempt to reduce the capital lease obligation by the unpaid sales tax.							
LEASE REQUIREMENTS							
Condition: We noted the terms of the lease documents were not on file within the office.	1	1	1	1	1	1	1
Criteria: Access to property outside of construction obligations, the office should maintain all contracts in their current form.							
Effect: Without having the contract readily available for inspection, the organization could violate the terms of the agreement and be required to rectify that.							
Recommendation: All contracts should be maintained in the office.							

* 1 filed in office examined, not available or not applicable.

NATCHITOCHELS OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED CLAIMS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

Program	Number of Items in Foundation	Number of Items Discrep.	Number of Items Not in Compliance	Dollar Amount of Items in Population	Dollar Amount of Items Discrep.	Dollar Amount of Items Not in Compliance	Amount of Questioned Claims
HEALTH PROGRAMS							
WOMAN WORKER BENEFIT							
Condition: Items 918 gross income tax returns, was not filed on time for the year ended January 31, 1996 and 1997.	2	2	2	*	*	*	*
Criteria: Internal tax audit procedures require that the returns for the prior six (6) months be filed within 90 days following the close of the fiscal year.							
Effect: The organization could be subject to penalties up to \$4,000 per year per return.							
Recommendation: The organization should have its returns prepared and filed in a timely manner.							
LATE CLAIMS REPORT							
Condition: The organization did not file their January 31, 1997 audit report with the State of Louisiana or their regional agency within the required 90-day term.	1	1	1	*	*	*	*
Criteria: In accordance with State law, the audit should be filed with the State of Louisiana within six (6) months from the close of the fiscal year. The 6 month time requirement of State and Federal law does not require that the audit be filed within two (2) months.							
Effect: The organization could possibly be subjected to further audit examinations.							
Recommendation: The organization should take appropriate action that the audit is performed in a timely manner.							

* Dollar amount estimated and verifiability is not applicable.

NATIONALSOCIETY-OUTPATIENT MEDICAL CENTER, INC.
NATIONSBUILDERS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1987

Program	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
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1987 PROGRAMS

ACCOUNTS PAYABLE

Condition: The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.	0	0	0	0	0	0	0
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Criteria: In accordance with OHM Circular A-110, the financial management system should provide for current and accurate statements of the financial activities.

Effect: The organization was not able to properly reflect their financial position.

Recommendation: Steps should be taken to ensure that all accounts payable outstanding are recorded in the books and entries therein the subsidiary journal by month and amount.

ACCOUNTS RECEIVABLE

Condition: The accounts receivable subsidiary journal was not maintained on a daily basis and did not agree to the general ledger.	0	0	0	0	0	0	0
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Criteria: In accordance with OHM Circular A-110, the financial management system should provide for current and accurate statements of the financial activities.

Effect: The organization was not able to properly reflect their financial position.

Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded in the books and entries therein the subsidiary journal by month and amount.

* OHM is a code manual, not authoritative or authoritative.

**MYSTROSCOPES OUTPATIENT MEDICAL CENTER, INC.
NATYBETHBORO, LOUISIANA**

**SCHEDULE OF DEFICIENCIES AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL SPENDING PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED 31 MARCH 31, 1997**

Category	Number of Items in Population	Number of Items Sampled	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Sampled	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
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SEE PROGRAM

INDIVIDUAL TAX DEFERRIS

Condition: The total payroll tax expense shown EFT for the year was recorded for the incorrect type of tax.

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Criteria: The population is required to deposit and pay from the taxes to a clearing institution.

Effect: Due to the failure to appropriately mark the tax receipt, the EFTs did not clear properly.

Recommendation: The company should be appropriately marked by a responsible individual.

EMPLOYEE SOCIAL SECURITY

Condition: The social security tax and social security wages were incorrectly reported on some of the W-2s for the year ended 31 March 31, 1996.

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Criteria: The social security wages recorded the rate of 6.2%.

Effect: As a result of reporting social security wages higher than they are, the social security withhold and reported on the W-2 was excessive.

Recommendation: The amount withheld and reported on the W-2s should be in accordance with the Circular E - Employer's Tax Guide.

* 175% is either assumed and unaccounted for or not applicable.

SAFARIHOPKINS OUTPATIENT MEDICAL CENTER, INC.
 BATONROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997

Criteria	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items Not in Compliance	Percent of Government Expenditures
DEPARTMENT OF WORKFORCE							
WIC PROGRAM							
WIC BIRTH REPORT REGISTRY							
Condition: The organization could not demonstrate to the WIC Program's independent audits for the period 1994-1995 that it maintains birth registry data from its files.	24	24	10	4	4	4	0
Evidence: The audit register had all original paper documents to date on file for a minimum of two (2) years.							
Effect: The organization could be subject to increased audit activities.							
Recommendation: All original paper documents should be kept on file for a period of two (2) years.							
WIC DISBURSEMENTS							
Condition: Disbursement checks were made payable to cash.	192	19	3	\$1,056	\$4,083	\$150	5.4%
Evidence: The WIC Program requires, at checks be made payable to a vendor.							
Effect: If an organization could be subject to increased audit activities.							
Recommendation: In the future, checks should be made payable to the supplier and account.							

* If there is other material not incorporated or not applicable.

NTS/STROCHES OUTPATIENT MEDICAL CENTER, INC.
 NATCHITOCHULES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL SPANOS PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

PROGRAM	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
WIC PROGRAM							
WIC EXPENDITURE REPORT							
Condition: When preparing expenditure reports, the organization did not complete and submit a disbursement report for the month and for the grant period according to budget calendar.	24	24	24	*	*	*	*
Evidence: The grant expenditure reports submit a monthly expenditure report consisting of two (2) columns, corresponding and each column accompanied by budget calendar.							
Effect: The expenditure report is subject of a monthly grant submission.							
Recommendation: The organization should follow all grant requirements under contract.							
HR PROGRAM							
HEALTH CARE ADMINISTRATION							
Condition: Several of the total health care employees do not have an administrative staff account discussed in their file.	24	20	14	*	*	*	*
Evidence: In order to comply with grant requirements, all employees under the total health grant should have their administrative personnel file.							
Effect: An administrative position file maintains the employee file for payroll purposes, it is impossible to tell whether employees have correctly paid.							
Recommendation: All current administrative personnel should be on file.							
Effect: is either partial, not maintainable or not applicable.							

NATIONAL CORRECTION INSTITUTION MEDICAL CENTER, INC.
NATCHITOCHEUS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL SPENDING PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

Program	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items Not in Compliance	Percent of Questioned Costs
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REGISTRATION

NEW HIRE BILL SUBMITTALS

Condition: Several of the most recent years employees' payroll data are open to their authorized payroll account documented in their file.

Criteria: In order to comply with general requirements, all employees under the new hire bill must already have their authorized payroll on file.

Effect: As a consequence of updating the conditions, this fact required changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll accounts should be on file.

NEW HIRE

NEW HIRE BILL AUTHORIZATION

Condition: Several of the NEW hire employees did not have authorized payroll account documented in their file.

Criteria: In order to comply with general requirements, all employees under the NEW hire bill should have their authorized payroll on file.

Effect: If the authorized payroll account is not on file, it is possible to improperly pay employees.

Recommendation: All current authorized payroll accounts should be on file.

There is other material, not examinable under 501(c)(3).

NATLORWOODS OUTPATIENT MEDICAL CENTER, INC.
 NATIONSBUILD, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL GRANTOR PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1977

Program	Number of Items in Examination	Number of Items Audited	Number of Items Not in Compliance	Dollar Amount of Violations	Dollar Amount Items Audited	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs ... List's ...
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WIC PROGRAM

WIC FAVORABLE DISBURSEMENTS

Condition: Several of the WIC grant recipients' payroll sheets appear to show authorized payroll amount documented in their file.

14	12	2	*	*	*	*	*
----	----	---	---	---	---	---	---

Comments: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files the payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All correct authorized payroll amounts should be on file.

FAMILY CONFIDENTIALITY STATEMENT

Condition: Some of the personnel files are the WIC Program employees did not contain a signed patient confidentiality statement.

6	0	6	*	*	*	*	*
---	---	---	---	---	---	---	---

Comments: The grant requires that employees will access to patient information (e.g. a statement that all patient records are confidential).

Effect: The patient's confidentiality may be violated.

Recommendation: All employees files should be updated to ensure that they contain a signed patient confidentiality statement.

* If not in other column, not applicable or not applicable.

**MEMPHIS VETERANS OUTPATIENT MEDICAL CENTER, INC.
MEMPHIS, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL SPANISH PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997**

Program	Number of Items in Exception	Number of Items Closed	Number of Items Not in Compliance	Dollar Amount of Exception	Dollar Amount Items Closed	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
SPS PROGRAM							
TRAVELERS							
Condition: An audit of one year, not more than one of the full. Program reviewed pay checks with all supporting time sheet.	206	20	1	\$17,087	\$10,000	\$7,087	\$7,087
Criteria: The grant requires that all activities supported by travel documents.							
Effect: The grant supports could possibly be reduced.							
Recommendation: All SPS Program pay checks should be supported by approved time sheet.							
HRB PROGRAM							
COMPOSITE BILLS							
Condition: The Board of Directors cannot Commission monthly bills also verify with the requirements for the 42 CFR 44.104	•	•	•	•	•	•	•
Criteria: The HRB Grant requires that the composition and selection of members for Commission with the requirements of 42 CFR 44.104							
Effect: Failure of the governing board to meet the Commission requirements, could result in grant suspension.							
Recommendation: The Board should take steps to follow all HRB members of the HRB Grant.							
<p>• Effect is either minimal, unascertainable or not applicable</p>							

NATCHITOCHUES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHUES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997

Program	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
WIC PROGRAM							
AUTOMATIC DISBURSEMENTS							
Condition: Some of the pay checks for the WIC Program did not contain two identifying signatures.	104	24	0	\$107,649	\$1,000	\$480	\$
Critique: All checks are required to have two (2) authorized signatures.							
Effect: Although the correct number of authorized signatures (two) was present, the checks were not signed by the authorized signatory.							
Recommendation: All checks should have two (2) authorized signatures.							
FEES INCURRED							
Condition: There were instances where some of the invoices for the WIC Program could not be located.	142	10	10	\$1,980	\$1,480	\$4,000	\$1,000
Critique: As per the grant contract, the organization is required to keep copies of invoices on file for a minimum of 90 days.							
Effect: The organization could possibly have incurred greater violations.							
Recommendation: We recommend that all invoices be kept on file and provided with the routine copy of the check required to be made.							
				Total			

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* Effect is fully correct, not interchangeable in all instances.