

OUTPATIENT MEDICAL CENTER, INC.

AUDITED FINANCIAL STATEMENTS

JANUARY 31, 2018
(With Summarized Financial
Information for 2017)

OUTPATIENT MEDICAL CENTER, INC.
January 31, 2018
TABLE OF CONTENTS

	EXHIBIT	PAGE(S)
Independent Auditor's Report		1 - 2
Statement of Financial Position	I	3 - 4
Statement of Activities	II	5
Statement of Cash Flows	III	6
Schedule of Functional Expenses	IV	7
Notes to the Financial Statements		8 - 16
 SUPPLEMENTARY INFORMATION	 SCHEDULE	
Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer	A	18
Combining Schedule of Support and Revenues	B	19
Schedule of Expenses by Activity	C-F	20 - 23
Schedule of Expenditures of Federal Awards		24
Notes to Schedule of Expenditures of Federal Awards		25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		26 - 27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		28 - 29
Summary Schedule of Prior Audit Findings		30
Schedule of Findings and Questioned Costs		31



BROWN, EWING & CO.
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Outpatient Medical Center, Inc., (a nonprofit organization) which comprise the statement of financial position as of January 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outpatient Medical Center, Inc., as of January 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Outpatient Medical Center, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18-23 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2018, on our consideration of Outpatient Medical Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outpatient Medical Center, Inc.'s internal control over financial reporting and compliance.

Brown, Emory & CO.

Ridgeland, Mississippi
July 23, 2018

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2018
(With Summarized Financial Information for 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017 restated</u>
Current Assets:		
Cash and cash equivalents	\$ 522,183	\$ 447,031
Patient care receivables, less allowance of \$620,900 for doubtful accounts	252,707	214,167
Grants and contracts receivable	<u>72,001</u>	<u>-</u>
Total Current Assets	<u>846,891</u>	<u>661,198</u>
Fixed Assets:		
Land	106,500	106,500
Building and improvements	3,810,755	3,810,755
Furniture and equipment	1,642,966	1,642,966
Leasehold improvements	95,187	-
Vehicles	<u>25,815</u>	<u>25,815</u>
	5,681,223	5,586,036
Less: Accumulated depreciation	<u>(3,780,072)</u>	<u>(3,608,531)</u>
Net Fixed Assets	<u>1,901,151</u>	<u>1,977,505</u>
Other Assets		
Debt issuance costs, net	<u>31,831</u>	<u>35,176</u>
TOTAL ASSETS	<u>\$ 2,779,873</u>	<u>\$ 2,673,879</u>

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

EXHIBIT I
(Continued)

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2018
(With Summarized Financial Information for 2017)

<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>2017 restated</u>
Current Liabilities:		
Accounts payable	\$ 212,604	\$ 45,917
Other payroll deductions payable	11,613	5,459
Salaries payable	111,400	51,813
Accrued annual leave	91,416	77,968
Other liabilities	5,475	12,290
Bonds payable, current portion	75,114	72,068
Capital leases payable, current portion	<u>11,163</u>	<u>9,576</u>
Total Current Liabilities:	<u>518,785</u>	<u>275,091</u>
Long-Term Liabilities		
Bonds payable	855,172	930,957
Capital lease payable	21,780	31,470
Less: current portion	<u>(86,277)</u>	<u>(81,644)</u>
Total Long-Term Liabilities	<u>790,675</u>	<u>880,783</u>
Total Liabilities	<u>1,309,460</u>	<u>1,155,874</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	551,400	486,911
Board designated reserve	67,287	122,316
Fixed assets	<u>737,237</u>	<u>908,778</u>
Total Unrestricted net assets	1,355,924	1,518,005
Temporarily restricted net assets	<u>114,489</u>	<u>-</u>
Total Net Assets	<u>1,470,413</u>	<u>1,518,005</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,779,873</u>	<u>\$ 2,673,879</u>

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

EXHIBIT II

OUTPATIENT MEDICAL CENTER, INC.
Statement of Activities
For the Year Ended January 31, 2018
(With Summarized Financial Information for 2017)

	<u>CURRENT UNRESTRICTED</u>			<u>2018</u>	<u>2017 restated</u>
	<u>Operations</u>	<u>Fixed Assets</u>	<u>Temporarily Restricted</u>		
SUPPORT AND REVENUES (Note 2)					
Support:					
Grants and contracts	\$ 3,043,808	-	197,162	\$ 3,240,970	\$ 2,812,192
Net assets released from restrictions	82,673	-	(82,673)	-	-
Total Support	<u>3,126,481</u>	<u>-</u>	<u>114,489</u>	<u>3,240,970</u>	<u>2,812,192</u>
Revenue:					
Health care services, net of charity, bad debts and contractual adjustments of \$921,507	1,992,449	-	-	1,992,449	1,189,821
Fundraising income	129,357	-	-	129,357	109,260
Interest income	2,430	-	-	2,430	685
Other income	29,029	-	-	29,029	19,149
Total Revenue	<u>2,153,265</u>	<u>-</u>	<u>-</u>	<u>2,153,265</u>	<u>1,318,915</u>
TOTAL SUPPORT AND REVENUES	<u>5,279,746</u>	<u>-</u>	<u>114,489</u>	<u>5,394,235</u>	<u>4,131,107</u>
EXPENSES					
Program Services					
Health care services	2,139,925	-	-	2,139,925	1,759,513
Community services	194,700	-	-	194,700	70,125
Total Program Services	<u>2,334,625</u>	<u>-</u>	<u>-</u>	<u>2,334,625</u>	<u>1,829,638</u>
Supporting Services					
Management and general	2,850,361	171,541	-	3,021,902	2,194,765
Fundraising	85,300	-	-	85,300	66,347
Total Supporting Services	<u>2,935,661</u>	<u>171,541</u>	<u>-</u>	<u>3,107,202</u>	<u>2,261,112</u>
TOTAL EXPENSES	<u>5,270,286</u>	<u>171,541</u>	<u>-</u>	<u>5,441,827</u>	<u>4,090,750</u>
Change in Net Assets	<u>9,460</u>	<u>(171,541)</u>	<u>114,489</u>	<u>(47,592)</u>	<u>40,357</u>
Net Assets, Beginning of Year	609,227	908,778	-	1,518,005	1,552,434
Prior period adjustment	-	-	-	-	(74,786)
Net Assets, as restated	<u>609,227</u>	<u>908,778</u>	<u>-</u>	<u>1,518,005</u>	<u>1,477,648</u>
NET ASSETS, END OF YEAR	<u>\$ 618,687</u>	<u>737,237</u>	<u>114,489</u>	<u>\$ 1,470,413</u>	<u>\$ 1,518,005</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Cash Flows
For the Year Ended January 31, 2018
(With Summarized Financial Information for 2017)

	2018	2017 restated
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (47,592)	\$ 40,357
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	171,541	171,435
Decrease (increase) in:		
Patient care receivables	(38,541)	43,192
Grants and contracts receivable	(72,001)	-
Debt issuance costs	3,345	3,067
Increase (decrease) in:		
Accounts payable	166,687	(109,540)
Accrued salaries payable	59,587	13,504
Other payroll deductions payable	6,156	797
Deferred revenue	-	-
Other liabilities	(6,816)	(1,002)
Accrued annual leave	13,448	(3,366)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	255,814	158,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(95,187)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(95,187)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable and capital leases	(85,475)	(77,712)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(85,475)	(77,712)
NET INCREASE (DECREASE) IN CASH	75,152	80,732
CASH, BEGINNING OF YEAR	447,031	366,299
CASH, END OF YEAR	\$ 522,183	\$ 447,031
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	\$ 37,971	\$ 45,733

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

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Functional Expenses
 For the Year Ended January 31, 2018
 (With Summarized Financial Information for 2017)

	Health Care Services	Community Services	Total Program Services	Management and General	Fundraising	2018	2017
Personnel	\$ 1,464,388	115,038	1,579,426	1,113,407	14,016	\$ 2,706,849	\$ 2,059,263
Fringe benefits	216,259	8,895	225,154	348,394	1,147	574,695	510,568
Travel	15,154	5,838	20,992	73,739	-	94,731	66,651
Supplies	206,086	25,714	231,800	118,537	2,011	352,348	116,750
Equipment rental	8,312	14	8,326	31,758	-	40,084	37,172
Contractual	66,677	6,920	73,597	234,495	-	308,092	284,474
Equipment expense	21,642	20,351	41,993	44,016	-	86,009	11,792
Legal and accounting	-	-	-	28,986	-	28,986	22,961
Dues and subscriptions	8,277	2,174	10,451	53,616	475	64,542	47,034
Utilities	-	-	-	185,715	-	185,715	167,611
Repairs and maintenance	103,640	1,680	105,320	81,176	-	186,496	150,379
Insurance	-	-	-	26,200	-	26,200	27,937
Staff recruitment	5,200	-	5,200	168,371	-	173,571	14,086
Advertisement	-	2,500	2,500	61,198	6,635	70,333	19,193
Security	-	-	-	1,507	-	1,507	989
Continuing education	5,743	948	6,691	6,030	-	12,721	15,686
Communications	13,305	3,644	16,949	79,514	-	96,463	84,942
Amortization expense	-	-	-	3,345	-	3,345	3,067
Janitorial	-	-	-	15,322	-	15,322	18,000
Space cost	-	-	-	75,848	58,710	134,558	105,013
Interest	-	-	-	37,971	-	37,971	45,733
Taxes, licenses and fees	-	-	-	-	2,266	2,266	46,367
Bank charges	23	-	23	9,202	40	9,265	6,099
Food and beverage	3,378	819	4,197	25,861	-	30,058	20,048
Board expenses	-	-	-	4,345	-	4,345	6,434
Property taxes	-	-	-	7,396	-	7,396	7,014
Other	1,841	165	2,006	14,412	-	16,418	24,052
Total expenses before depreciation	2,139,925	194,700	2,334,625	2,850,361	85,300	5,270,286	3,919,315
Depreciation	-	-	-	171,541	-	171,541	171,435
Total Expenses	\$ 2,139,925	194,700	2,334,625	3,021,902	85,300	\$ 5,441,827	\$ 4,090,750

The accompanying notes are an integral part of these financial statements

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 1 - ABOUT THE ORGANIZATION

Outpatient Medical Center, Inc. (OPMC), a non-profit corporation, was incorporated in the State of Louisiana as of December 1997. The primary purpose of the Corporation is to provide outpatient health care in a medically underserved area to patients who otherwise would have limited access to health care. The Corporation is supported through a grant from Public Health Service, a component of the U. S. Department of Health and Human Services.

The fiscal year of OPMC is February 1 to January 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Outpatient Medical Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization 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 nature 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.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds, is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - OPMC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by the Center. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

The Center grants credit without collateral to patients, most of whom are local residents and are insured under thirty-party payor agreements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- M. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.
- N. Debt Issuance Costs - Debt issuance costs are recorded at cost and amortized on a straight-line basis over the term of the debt (15 years).

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 522,183	\$ 522,183
Financial liabilities:	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term bonds payable	\$ 855,172	\$ 855,172
Capital lease payable	\$ 21,780	\$ 21,780

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in six (6) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At January 31, 2018, the Organization did not have an uninsured cash balance.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 5 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at January 31, 2018:

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 166,162
Government	628,615
Other	78,830
	<u>\$ 873,607</u>

Allowance for doubtful accounts is summarized as follows at January 31, 2018

<u>Allowance :</u>	<u>Amount</u>
Patients	\$ 154,674
All Other	466,226
	<u>\$ 620,900</u>

NOTE 6 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at January 31, 2018:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 2,913,956
Less: Contractual adjustment under third-party reimbursement program and discounts	<u>(921,507)</u>
Net Patient Service Revenue	<u>\$ 1,992,449</u>

NOTE 7 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 106,500
Buildings and Improvements	3,810,755
Leasehold Improvements	95,187
Furniture and Equipment	1,642,966
Vehicles	<u>25,815</u>
Total Property and Equipment	<u>5,681,223</u>
Less: Accumulated Depreciation	<u>(3,780,072)</u>
Net Property and Equipment	<u>\$ 1,901,151</u>

Depreciation expense for the year ended January 31, 2018 totaled \$171,541.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 8 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. Therefore, no provision has been made for Federal or state corporate income taxes in the accompanying financial statements.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2015, 2016, and 2017 are subject to examination by the federal, state and local taxing authorities, generally for three years after they are filed.

NOTE 9 - RETIREMENT PLAN

The Center has a Section 403(b) plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended January 31, 2018, the plan was properly funded. Retirement expense recognized was \$36,166 for the year ended January 31, 2018.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at January 31, 2018 in the amount of \$91,416 is included in the financial statements. See Note 2.J. above.

NOTE 11 - SUMMARY OF FUNDING AND SUPPORT

Outpatient Medical Centers' operations are funded through restricted grants from HHS. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services - Health Center Cluster	H80CS00513	2/1/17-1/31/18	\$ 3,013,021
Rapides Foundation	N/A	2/1/17-1/31/18	137,162
Black Women's Health Imperative	1NU58DP006367-01-00	2/1/17-1/31/18	60,000
Louisiana Primary Care Association	N/A	2/1/17-1/31/18	28,020
Natchitoches Regional Medical Foundation	N/A	2/1/17-1/31/18	<u>2,767</u>
TOTALS			<u>\$ 3,240,970</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 12 - BONDS PAYABLE

Bonds payable consist of the following at January 31, 2018:

Bonds series 2012 payable to Capital One Bank; fixed interest rate of 4.09% due in monthly installments of \$9,131 which includes principal and interest; matures July 1, 2027; secured by real estate. \$ 855,172

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2019	\$ 75,114	\$ 31,285	\$ 106,399
2020	78,289	31,285	109,574
2021	81,516	28,058	109,574
2022	85,043	24,531	109,574
2023	88,638	66,519	155,157
Thereafter	446,572	28,392	474,964
Totals	\$ 855,172	210,070	\$ 1,065,242

NOTE 13 - LEASED EQUIPMENT UNDER CAPITAL LEASE

The Center leases certain computer equipment under non-cancelable capital leases expiring in 2020. The capital lease obligations are collateralized by the equipment.

Future minimum lease payments under these capital leases as of January 31, 2018 are as follows:

Year Ending January 31:	
2019	\$ 13,871
2020	11,474
Total future lease payments	25,345
Less: amount representing interest	(3,565)
Present value of minimum lease payments	\$ 21,780

Depreciation taken on assets under capital lease was \$1,315 for the year ended January 31, 2018.

NOTE 14 - LITIGATION

Outpatient Medical Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers, and other insurance coverage in amounts the Organization believes to be adequate. The Organization requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Outpatient Medical Center, Inc. is a party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, the Organization is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of Outpatient Medical Center, Inc.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 15 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 68% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 16 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Uniform Guidance. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 17 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for in the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2017, from which the summarized information was derived.

NOTE 18 - UNRESTRICTED NET ASSETS (BOARD DESIGNATED RESERVE)

The Board of Directors established a reserve account to cover gross expenses for future obligations. The funds for this reserve account are maintained in a separate bank account and can only be utilized by board approval.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 19 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets result primarily from timing restrictions on grants awarded during the fiscal year but designated for use in current and subsequent fiscal years.

The Center's temporarily restricted net assets as of January 31, 2018, consisted of the following:

<u>Temporarily restricted net assets</u>	
Grant for Diabetes Prevention Program (Black Women's Health Imperative)	\$ 60,000
Grant for School Based Health Clinic Support (Rapides Foundation)	<u>54,489</u>
Total Temporarily restricted net assets	<u>\$ 114,489</u>

NOTE 20 - OPERATING LEASES

Future minimum lease payments for the Leesville site under noncancelable operating leases with initial or remaining terms in excess of one year at January 31, 2018, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 79,152
2020	79,152
2021	79,152
2022	79,152
2023	<u>52,768</u>
Total minimum lease payments	<u>\$ 369,376</u>

NOTE 21 - NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Revenue from the Medicare and Medicaid programs accounted for approximately 9 percent and 89 percent, respectively, of the Center's net patient revenue for the year ended January 31, 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2018

NOTE 22 - PRIOR PERIOD ADJUSTMENT

During the year ended January 31, 2018, it was determined that fixed assets and accumulated depreciation were not reconciled to the subsidiary in a previous year. This caused a restatement of the January 31, 2017 Statement of Financial Position and Statement of Activities to include a decrease in fixed assets of \$59,928, an increase in accumulated depreciation of \$14,858 and a decrease in net assets of \$74,786.

NOTE 23 - ADVERTISING

Outpatient Medical Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending January 31, 2018, advertising cost totaled \$70,333.

NOTE 24 - RELATED PARTY TRANSACTIONS

The husband of an OPMC board member owns and operates a company that provided janitorial services to the Center's Leesville site for a portion of the fiscal year. The board member did not participate in the bid selection of the company to perform the services nor participate in the Board's vote to approve said services. At January 31, 2018, OPMC paid \$15,000 to this company for janitorial services. As of the completion of this audit, the company no longer provides janitorial services to the Leesville site.

NOTE 25 - NEW ACCOUNTING PRONOUNCEMENTS

ASU (Accounting Standards Update) 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities."* This ASU will simplify and improve how a not-for-profit organization classifies its net assets and presents expenses, as well as, the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Center is currently evaluating the impact this pronouncement will have on the presentation of the financial statements.

NOTE 26 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 23, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended January 31, 2018

In accordance with Act 706 passed during the 2014 regular Louisiana Legislative Session, the compensation, benefits, reimbursements and other payments to the Chief Executive Officer are presented as follows:

Category	Amount	Total
Salary	\$ 110,852	
Total salary		\$ 110,852
Benefits:		
Health insurance	\$ 7,657	
Retirement	<u>3,864</u>	
Total benefits		11,521
Travel:		
Registration fees	1,735	
Travel	1,406	
Continuing professional education	<u>1,936</u>	
Total travel		<u>5,077</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>127,450</u>

SCHEDULE B

OUTPATIENT MEDICAL CENTER, INC.
 Combining Schedule of Support and Revenues
 For the Year Ended January 31, 2018

	<u>HHS Section 330 Funds</u>	<u>Rapides Foundation</u>	<u>Black Women's Health Imperative</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Support:				
Grants and contracts	\$ 3,013,021	137,162	60,000	\$ 3,210,183
Total Support	<u>3,013,021</u>	<u>137,162</u>	<u>60,000</u>	<u>3,210,183</u>
Revenue:				
Health care services, net of charity, bad debt and adjustments of \$921,507	1,992,449	-	-	1,992,449
Fundraising income	129,357	-	-	129,357
Interest income	2,430	-	-	2,430
Other income	29,029	-	-	29,029
Total Revenue	<u>2,153,265</u>	<u>-</u>	<u>-</u>	<u>2,153,265</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 5,166,286</u>	<u>137,162</u>	<u>60,000</u>	<u>\$ 5,363,448</u>

SCHEDULE C

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Health Care Services Expenses
 For the Year Ended January 31, 2018

<u>EXPENSES</u>	<u>HHS</u> <u>Section 330</u>
Personnel	\$ 1,464,388
Fringe benefits	216,259
Travel	15,154
Supplies	206,086
Equipment rental	8,312
Contractual	66,677
Equipment expense	21,642
Dues and subscriptions	8,277
Repairs and maintenance	103,640
Staff recruitment	5,200
Continuing education	5,743
Communications	13,305
Bank and finance charges	23
Food	3,378
Other	<u>1,841</u>
Total Healthcare Services Expenses	<u>2,139,925</u>
 TOTAL EXPENSES	 \$ <u>2,139,925</u>

SCHEDULE D

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Community Services Expenses
 For the Year Ended January 31, 2018

<u>EXPENSES</u>	<u>Rapides Foundation</u>	<u>HRSA Outreach Grant</u>	<u>Total</u>
Personnel	\$ 48,186	\$ 66,852	\$ 115,038
Fringe benefits	3,007	5,888	8,895
Travel	1,238	4,600	5,838
Supplies	24,092	1,622	25,714
Equipment rental	14	-	14
Contractual	6,920	-	6,920
Equipment expense	20,351	-	20,351
Dues and subscriptions	590	1,584	2,174
Repairs and maintenance	1,680	-	1,680
Advertisement	1,072	1,428	2,500
Continuing education	-	948	948
Communications	335	3,309	3,644
Food	160	659	819
Other	165	-	165
Total Community Services Expenses	<u>107,810</u>	<u>86,890</u>	<u>194,700</u>
 TOTAL EXPENSES	 <u>\$ 107,810</u>	 <u>\$ 86,890</u>	 <u>\$ 194,700</u>

SCHEDULE E

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Management and General Expenses
 For the Year Ended January 31, 2018

<u>EXPENSES</u>	<u>HHS</u> <u>Section 330</u>
Personnel	\$ 1,113,407
Fringe benefits	348,394
Travel	73,739
Supplies	118,537
Equipment rental	31,758
Contractual	234,495
Equipment expense	44,016
Legal and accounting	28,986
Dues and subscriptions	53,616
Utilities	185,715
Repairs and maintenance	81,176
Insurance	26,200
Staff recruitment	168,371
Advertisement	61,198
Security	1,507
Continuing education	6,030
Communications	79,514
Amortization expense	3,345
Janitorial	15,322
Space cost	75,848
Interest expense	37,971
Bank and finance charges	9,202
Food	25,861
Board expenses	4,345
Property taxes	7,396
Other	<u>14,412</u>
Total Management & General Expenses	<u>2,850,361</u>
Fixed Assets	
Acquisitions	<u>95,187</u>
TOTAL EXPENSES	<u>\$ 2,945,548</u>

SCHEDULE F

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Fundraising Expenses
 For the Year Ended January 31, 2018

EXPENSES

	<u>Bingo</u>
Personnel	\$ 14,016
Fringe benefits	1,147
Supplies	2,011
Dues and subscriptions	475
Advertisement	6,635
Space cost	58,710
Taxes, licenses and fees	2,266
Bank and finance charges	<u>40</u>
Total Expenses	<u>\$ 85,300</u>

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Expenditures of Federal Awards
 For the Year Ended January 31, 2018

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration Bureau of Primary Health Care			
Direct Programs:			
Health Center Cluster			
Health Center Grant	93.224	H80CS00513	\$ 1,109,844
Affordable Care Act Grants	93.527	H80CS00513	<u>1,903,533</u>
Total Health Center Cluster			<u>3,013,377</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,013,377</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,013,377</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2018

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Outpatient Medical Center, Inc. under programs of the federal government for the year ended January 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Outpatient Medical Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Outpatient Medical Center, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

INDIRECT COST RATE

Outpatient Medical Center, Inc. does not have indirect cost and has elected not to use the 10-percent de minimis Indirect cost rate allowed under the Uniform Guidance.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Outpatient Medical Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Outpatient Medical Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Outpatient Medical Center, Inc. in a separate letter dated July 23, 2018.

Purpose of this Report

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

Brow, Emory & Co.

Ridgeland, Mississippi
July 23, 2018



BROWN, EWING & CO.
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Outpatient Medical Center, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Outpatient Medical Center, Inc.'s major federal programs for the year ended January 31, 2018. Outpatient Medical Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Outpatient Medical Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Outpatient Medical Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Outpatient Medical Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Outpatient Medical Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2018.

Report on Internal Control Over Compliance

Management of Outpatient Medical Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Outpatient Medical Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control over compliance.

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

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

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

Brown, Emory & CO.

Ridgeland, Mississippi
July 23, 2018

OUTPATIENT MEDICAL CENTER, INC.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2018

There were no findings noted in our audit report for the year ended January 31, 2017.

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended January 31, 2018

Section 1: Summary of Auditor's Results

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a)? | No |

7. Federal programs identified as major programs:

HEALTH CENTERS CLUSTER	CFDA NUMBER
Consolidated Health Centers Grant	93.224
Affordable Care Act Grants	93.527

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$750,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2: Findings - Financial Statements Audit

NONE

Section 3: Findings and Questioned Costs - Major Federal Award Program Audit

NONE

OUTPATIENT MEDICAL CENTER, INC.
MANAGEMENT LETTER
FOR THE YEAR ENDED JANUARY 31, 2018



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

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

In planning and performing our audit of the financial statements of Outpatient Medical Center, Inc., for the year ended February 28, 2017, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated July 23, 2018 on the financial statements of Outpatient Medical Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

CASH DISBURSEMENTS

During the audit and our review of cash disbursements, we found that the Center's established procedures for maintaining invoices on file for purchase of goods and services was not followed consistently. We found the following issues:

1. From a sample of forty (40) cash disbursement transactions:
 - a. There were eleven (11) instances in which invoices were not provided for review.

In order to provide adequate disbursement documentation, a copy of the invoice, or a check request form containing a description of the purpose when there is no invoice, should be retained for each disbursement. We suggest that management strengthen internal administrative controls to ensure adherence to established procedures.

Management's Plan of Corrective Action

Management agrees filing of invoices for documentation to support during the audit period did not meet Outpatient Medical Center, Inc. (OMC) policy standards during the fiscal year ended January 31, 2018. OMC has implemented an accounting department quality initiative to ensure internal control policies and procedures are followed consistently without exception. All staff associated with reimbursement processing will be re-trained on required documentation by August 8, 2018.

SEPARATE COST CENTERS FOR NEW GRANTS

During the fiscal year under audit, the Center was awarded new grants from Foundations and other funding sources in which separate cost centers had not yet been established.

In order to more clearly reflect activity on a grant-by-grant basis, we strongly suggest that the Center maintain separate cost centers for each new funding source. This practice will facilitate the reporting requirements for these new grants and assist in determining the funds expended for each of the separate grants.

Management's Plan of Corrective Action

Management agrees separate cost centers were not established within the general ledger account structure to support the accounting of new grants awarded from foundations and other funding resources during FYE January 31, 2018. Management has engaged accounting consulting support to assist the proper establishment of asset and liability accounts and has established the necessary cost centers for proper accounting subsequent to FYI 1-31-2018.

Brown, Emily E. CO.

July 23, 2018

**OUTPATIENT MEDICAL CENTER, INC.
AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JANUARY 31, 2018**



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Outpatient Medical Center, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period February 1, 2017 through January 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) Disbursements, including processing, reviewing, and approving
 - d) Receipts, including receiving, recording, and preparing deposits
 - e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Outpatient Medical Center, Inc. provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and;

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board of Directors of Outpatient Medical Center, Inc. met on a monthly basis in accordance with the agency's bylaws.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP basis).
- c) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The Board of Director's Minutes of Outpatient Medical Center, Inc. did reference the presentation and approval of monthly financial reports and monthly budget to actual comparisons.

- d) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes of the Board of Directors of Outpatient Medical Center, Inc. did reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Management of Outpatient Medical Center, Inc. provided the requested information, along with management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for each month.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations contained evidence that a member of management reviewed and approved the bank reconciliations.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Management researched outstanding items that were more than 6 months old.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Each person responsible for collecting cash is bonded; not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account; and not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Outpatient Medical Center, Inc. has written procedures to reconcile cash collections to the general ledger by a person not responsible for collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Daily deposits were not made within one day of collections. Receipts that were reviewed during our testing noted deposit dates between 1 and 14 days after the day of collection.

Management's Response:

Management is implementing a new policy of requiring tracking of deposits on a daily basis whereby the accounting department will review that all locations made deposits the previous business day and if no deposits were made the designated accounting department monitor will contact the site coordinator or their designee to determine the status of the missing deposit. A tracking method will be maintained that will indicate by location when deposits are not made on a timely basis so situations of non-compliance can be monitored and corrective action taken to assure funds are not missing and policy is followed.

Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Outpatient Medical Center, Inc. has written procedures which define a process to determine completeness of collections, including electronic transfers, for each revenue source by a person not responsible for collections.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided the requested information, along with management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchase requisitions are required by the policy manual for all transactions unless the expense is deemed a non-routine transaction. For the transactions selected for testing, purchases were initiated using a requisition system that separates initiation from approval functions. Purchase requisitions were approved by a person who did not initiate the purchase. Payments for purchases were not processed without an approved purchase requisition, a receiving report (if applicable), and an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Outpatient Medical Center, Inc.'s policy is that new vendors can only be added to the purchasing/disbursement system by the Accounts Payable Clerk.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for Initiating or recording purchases.

Persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is maintained by the Chief Financial Officer in a locked location, with access restricted to those persons that do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Outpatient Medical Center, Inc. does not use a signature stamp.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards). Including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

For each card selected for testing, we noted that the monthly statement or combined statement was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

There were no finance charges or late fees assessed on the cards selected for testing.

- 16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- > An original Itemized receipt (i.e., identifies precisely what was purchased)

4 out 38 transactions tested totaling \$2,743 were not supported by an original itemized receipt that identified what was purchased.

- > Documentation of the business/public purpose. For meal charges, there should also be documentation of the Individuals participating.

Management's Response:

Management is undertaking an education of all staff associated with credit card transaction reimbursement on the necessary supporting documentation required. Management will implement a tracking system to monitor policy compliance so corrective action can be taken with staff that re not in compliance.

The business purpose was documented for purchases on the cards selected for testing. The charges for meals on the selected cards contained documentation of the business purpose and the individuals participating.

- > Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No other documentation is required by Outpatient Medical Center, Inc.'s written credit card policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We compared each transaction tested to the agency's written policies. There were no exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Outpatient Medical Center, Inc.'s documentation met the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested information, along with management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Amounts in Outpatient Medical Center, Inc.'s policies for per diem and mileage did not exceed rates established by the GSA.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose, the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

- b) Report whether each expense is supported by:

>An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

> Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

> Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The reimbursements selected were not supported with documentation in accordance with Outpatient Medical Center, Inc.'s written policies because supporting documentation could not be located.

Management's response:

Management is undertaking an education of all staff associated with travel expense reimbursement on the necessary supporting documentation required. Management will implement a tracking system to monitor policy compliance so corrective action can be taken with staff that are not in compliance.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested information, along with management's representation that the listing is complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Five contract vendors were selected for testing, however, there was only 1 out of 5 written contracts supporting the services arrangement and the amounts paid. Supporting documentation for the other services could not be located.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - > If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - > If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Management's Response:

Many will require that all vendor performance and reimbursement expectations be documented in a written contract, memorandum of agreement, or other written instrument documenting agreed upon expectations. Payments to vendors will not be made until such documentation has been required.

The contracts selected were not subject to the Louisiana Public Bid Law or Procurement Code.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

None of the contracts provided for review were amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Only 1 of the 5 largest payments selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract because the other invoices could not be located.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Payment was made in accordance with the terms of the approved pay rates.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Changes to pay rates/ salaries were approved in writing in accordance with Outpatient Medical Center, Inc.'s written policies.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For the transactions selected for testing, the daily attendance and leave were documented.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Transactions selected for testing contained evidence that supervisors approved the attendance and leave of the selected employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

For the transactions selected for testing, Outpatient Medical Center, Inc. maintained written leave records.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management provided the requested information, along with management's representation that the listing is complete. For the two transactions selected for testing, the termination benefits were made in accordance with Outpatient Medical Center, Inc.'s written policies.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Not applicable to nonprofit organizations.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethic violations, the corrective actions taken, and whether managements actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

- 28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable to nonprofit organizations.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable to nonprofit organizations.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable to nonprofit organizations.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management is not aware of any misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Outpatient Medical Center, Inc. has not posted the notice required by R.S. 24:523.1 on its premises or on its website

Management's Response:

Management has posted required notice on its premises and website as of July 31, 2018

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We have not observed or identified any exceptions regarding management's representations in the above procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document

Brown, Emily & Co
Ridgeland, Mississippi
July 24, 2018