

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

# LOUISIANA HEALTH CARE QUALITY FORUM

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-20
Supplementary Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Director	21
Independent Auditors' 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>	22-23



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Louisiana Health Care Quality Forum:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Louisiana Health Care Quality Forum (a nonprofit organization) (the Quality Forum), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Quality Forum as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with auditing standards generally accepted in the United States of America.

## **Other Matters**

### *Predecessor Auditor*

The financial statements of the Louisiana Health Care Quality Forum as of December 31, 2017, were audited by other auditors whose report dated July 19, 2018, expressed an unmodified opinion on those financial statements. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Quality Forum other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

## **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 21 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 statement as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Quality Forum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Quality Forum's internal control over financial reporting and compliance.

*Richard CPAS*

Metairie, Louisiana  
June 27, 2019

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 559,847	\$ 409,168
Investment securities	157,449	327,317
Accounts receivable, net	803,025	496,599
Prepaid expenses	147,301	179,219
Total current assets	1,667,622	1,412,303
<b><u>PROPERTY &amp; EQUIPMENT, NET</u></b>	85,733	73,248
<b><u>TOTAL ASSETS</u></b>	\$ 1,753,355	\$ 1,485,551

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 881,220	\$ 1,587,962
Payroll liabilities	24,870	27,622
Other liabilities	22,461	48,347
Deferred revenue	71,398	237,282
Current portion of note payable	47,516	-
Total current liabilities	1,047,465	1,901,213
<b><u>NOTE PAYABLE, LONG TERM</u></b>	780,173	-
<b>Total liabilities</b>	1,827,638	1,901,213
<b><u>NET ASSETS</u></b>		
Without donor restrictions	(98,647)	(440,508)
With donor restrictions	24,364	24,846
<b>Total net assets</b>	(74,283)	(415,662)
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	\$ 1,753,355	\$ 1,485,551

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

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>REVENUES AND SUPPORT</u></b>						
Cooperative Endeavor Agreements	\$ 3,754,901	\$ 97,288	\$ 3,852,189	\$ 2,861,993	\$ 81,167	\$ 2,943,160
Program Income	505,696	806,806	1,312,502	611,678	1,092,898	1,704,576
Contract Income	5,945	29,484	35,429	67,295	56,281	123,576
Other Income	14,489	-	14,489	11,847	22,240	34,087
Net assets released from restrictions	934,060	(934,060)	-	1,309,089	(1,309,089)	-
Total revenues and support	<u>5,215,091</u>	<u>(482)</u>	<u>5,214,609</u>	<u>4,861,902</u>	<u>(56,503)</u>	<u>4,805,399</u>
<b><u>EXPENSES</u></b>						
Program Services:						
DHH	1,260,537	-	1,260,537	1,408,082	-	1,408,082
HIE	1,508,332	-	1,508,332	2,358,476	-	2,358,476
IAPD	572,313	-	572,313	671,188	-	671,188
LaPOST	104,113	-	104,113	146,891	-	146,891
DPSC	400,558	-	400,558	300,104	-	300,104
Other	26,866	-	26,866	134,005	-	134,005
Supporting Services:						
G&A	1,000,511	-	1,000,511	1,491,883	-	1,491,883
Total expenses	<u>4,873,230</u>	<u>-</u>	<u>4,873,230</u>	<u>6,510,629</u>	<u>-</u>	<u>6,510,629</u>
<b>Change in net assets</b>	341,861	(482)	341,379	(1,648,727)	(56,503)	(1,705,230)
<b>Beginning of year net assets</b>	<u>(440,508)</u>	<u>24,846</u>	<u>(415,662)</u>	<u>1,208,219</u>	<u>81,349</u>	<u>1,289,568</u>
<b>End of year net assets</b>	<u>\$ (98,647)</u>	<u>\$ 24,364</u>	<u>\$ (74,283)</u>	<u>\$ (440,508)</u>	<u>\$ 24,846</u>	<u>\$ (415,662)</u>

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

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>						<u>Supporting Services</u>		
	<u>DHH</u>	<u>HIE</u>	<u>IAPD</u>	<u>LaPOST</u>	<u>DPSC</u>	<u>Other</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,681	\$ 1,681
Bad Debt Expense	-	47,250	-	-	-	-	47,250	-	47,250
Business Registration Fees	1,250	3,980	1,250	1,559	-	1,729	9,768	174	9,942
Participation Costs - Analytics	409,500	-	-	-	400,104	-	809,604	-	809,604
Participation Costs - LaHIE	-	655,580	-	-	-	-	655,580	-	655,580
Accounting Fees	-	6,865	13,731	1,145	-	-	21,741	32,691	54,432
Communication / Media	-	-	100	-	-	-	100	100	200
Legal Fees	540	3,062	3,237	-	-	-	6,839	12,564	19,403
Outside Contract Services	759,505	4,678	264	5,934	-	37	770,418	37,793	808,211
Professional Consultants	-	120,000	63,435	-	-	11,720	195,155	60,000	255,155
Depreciation	-	27,717	40,000	-	-	-	67,717	2,429	70,146
Equipment Rental	-	-	-	-	-	-	-	7,652	7,652
Rent	-	-	-	-	-	-	-	253,987	253,987
Sponsorship & Contributions	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-
Dues & Subscriptions	-	(5,705)	14,135	-	-	235	8,665	19,478	28,143
Educational Events	-	-	-	-	-	-	-	-	-
Insurance	277	65,630	1,426	215	-	21	67,569	39,883	107,452
Meals	-	109	873	-	454	-	1,436	3,152	4,588
Other Costs - Operations	-	12,599	15	9,443	-	942	22,999	11,551	34,550
Postage	-	38	-	4,588	-	-	4,626	1,324	5,950
Printing & Copying	65	-	122	12,575	-	-	12,762	1,807	14,569
Committee / Board Meetings	-	-	-	-	-	-	-	-	-
Supplies	-	98	77	731	-	-	906	2,478	3,384
Telephone	190	482	1,861	104	-	25	2,662	17,407	20,069
Travel	-	14,659	2,395	1,311	-	4,506	22,871	4,185	27,056
HRA Expenses	3,623	21,770	18,368	2,942	-	(134)	46,569	19,554	66,123
General Paid Time Expense	344	(1,939)	(485)	(65)	-	791	(1,354)	(2,980)	(4,334)
401K Match	1,195	11,145	14,381	2,032	-	234	28,987	10,162	39,149
Health Insurance	11,980	57,556	33,528	7,162	-	477	110,703	40,431	151,134
Payroll Processing Fees	-	-	-	-	-	-	-	2,653	2,653
Payroll Tax Expense	4,637	30,239	22,621	3,641	-	426	61,564	24,599	86,163
Salaries	67,431	432,519	340,979	50,796	-	5,857	897,582	374,496	1,272,078
Interest	-	-	-	-	-	-	-	21,260	21,260
<b>Total</b>	<b>\$ 1,260,537</b>	<b>\$ 1,508,332</b>	<b>\$ 572,313</b>	<b>\$ 104,113</b>	<b>\$ 400,558</b>	<b>\$ 26,866</b>	<b>\$ 3,872,719</b>	<b>\$ 1,000,511</b>	<b>\$ 4,873,230</b>

The accompanying notes are an integral part of this financial statement.

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Program Services</b>						<b>Supporting Services</b>		<b>Total</b>
	<b>DHH</b>	<b>HIE</b>	<b>IAPD</b>	<b>LaPOST</b>	<b>DPSC</b>	<b>Other</b>	<b>Total Program Services</b>	<b>Management and General</b>	
Bank Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,161	\$ 2,161
Bad Debt Expense	1,167	(559)	-	-	-	-	608	-	608
Business Registration Fees	-	1,609	-	-	-	389	1,998	682	2,680
Participation Costs - Analytics	493,083	-	-	-	300,104	-	793,187	-	793,187
Participation Costs - LaHIE	-	1,330,300	-	-	-	-	1,330,300	-	1,330,300
Accounting Fees	-	17,250	33,000	2,870	-	-	53,120	43,380	96,500
Communication / Media	-	-	-	-	-	-	-	100	100
Legal Fees	(2,485)	-	4,631	-	-	-	2,146	133,165	135,311
Outside Contract Services	800,202	3,530	915	5,732	-	8,851	819,230	46,285	865,515
Professional Consultants	-	120,000	61,845	-	-	32,877	214,722	80,429	295,151
Depreciation	68	72,429	54,719	-	-	-	127,216	9,594	136,810
Equipment Rental	-	-	-	-	-	-	-	7,552	7,552
Rent	-	-	-	-	-	-	-	260,690	260,690
Sponsorship & Contributions	-	-	-	275	-	-	275	-	275
Advertising	-	-	-	12,900	-	-	12,900	(4,024)	8,876
Dues & Subscriptions	-	6,777	70	-	-	235	7,082	31,056	38,138
Educational Events	-	-	-	-	-	-	-	12,000	12,000
Insurance	406	75,698	1,581	320	-	221	78,226	42,052	120,278
Meals	-	68	463	116	-	204	851	2,513	3,364
Other Costs - Operations	350	4,817	14,394	29,475	-	27,878	76,914	24,466	101,380
Postage	5	230	11	425	-	-	671	568	1,239
Printing & Copying	-	-	33	9,441	-	1,291	10,765	1,879	12,644
Committee / Board Meetings	-	-	-	-	-	-	-	402	402
Supplies	-	-	79	98	-	171	348	4,222	4,570
Telephone	672	1,589	2,539	450	-	369	5,619	27,813	33,432
Travel	2,741	17,286	2,535	185	-	5,903	28,650	12,380	41,030
HRA Expenses	1,341	21,007	14,232	1,090	-	93	37,763	20,600	58,363
General Paid Time Expense	(2,216)	(19,391)	(13,196)	(3,904)	-	(2,189)	(40,896)	(15,741)	(56,637)
401K Match	2,630	14,408	11,336	3,265	-	303	31,942	21,293	53,235
Health Insurance	3,496	73,896	51,276	2,032	-	524	131,224	50,860	182,084
Payroll Processing Fees	180	1,028	716	141	-	94	2,159	1,077	3,236
Payroll Tax Expense	7,876	39,479	26,442	6,475	-	4,156	84,428	41,518	125,946
Salaries	98,566	577,025	403,567	75,505	-	52,635	1,207,298	632,450	1,839,748
Interest	-	-	-	-	-	-	-	461	461
<b>Total</b>	<b>\$ 1,408,082</b>	<b>\$ 2,358,476</b>	<b>\$ 671,188</b>	<b>\$ 146,891</b>	<b>\$ 300,104</b>	<b>\$ 134,005</b>	<b>\$ 5,018,746</b>	<b>\$ 1,491,883</b>	<b>\$ 6,510,629</b>

The accompanying notes are an integral part of this financial statement.

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 341,379	\$ (1,705,230)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debts	47,250	608
Depreciation and amortization	70,146	136,810
Loss on disposal of fixed assets	-	65
Realized (gain) loss on investments	(3,503)	(2,827)
Unrealized (gain) loss on investments	(6,566)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(353,676)	(6,055)
(Increase) decrease in prepaid expenses	31,918	18,158
Increase (decrease) in accounts payable	213,258	433,259
Increase (decrease) in accrued payroll liabilities	(2,752)	(74,318)
Increase (decrease) in other liabilities	(25,886)	48,347
Increase (decrease) in deferred revenue	(165,884)	64,714
	<u>145,684</u>	<u>(1,086,469)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of equipment	(82,631)	-
Proceeds from sale of investments	179,937	-
	<u>97,306</u>	<u>-</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Payments on notes payable	(92,311)	-
	<u>(92,311)</u>	<u>-</u>
Net change in cash	150,679	(1,086,469)
Cash, beginning of year	409,168	1,495,637
Cash, end of year	<u>\$ 559,847</u>	<u>\$ 409,168</u>
<b>Noncash transactions:</b>		
Conversion of vendor accounts payable to notes payable	<u>\$ 920,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

**LOUISIANA HEALTH CARE QUALITY FORUM**

**Notes to Financial Statements**

**December 31, 2018**

**(1) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

In accordance with generally accepted accounting principles, the accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**(b) Basis of Presentation**

The financial statements of the Quality Forum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). The operations of the Quality Forum are accounted for as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Quality Forum and/or the passage of time.

**(c) Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Quality Forum considers all highly liquid investments with a maturity date of three months or less to be cash equivalents.

**(d) Property and Equipment**

Fixed assets are recorded at historical cost and depreciated over the estimated useful lives of the assets using the straight line and declining balance methods. Contributed property and equipment is recorded at fair value at the date of donation. The following is a summary of the estimated useful lives used:

Furniture	7 years
Equipment	5 years
Computers	3 years
Software	3 years

**LOUISIANA HEALTH CARE QUALITY FORUM**

**Notes to Financial Statements**

**December 31, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

**(d) Property and Equipment (continued)**

The Quality Forum capitalizes all assets that cost in excess of \$1,000 with a useful life exceeding one year. Routine repairs and maintenance are expensed as incurred.

**(e) Contributions**

The Quality Forum follows ASC 958-605 for accounting for contributions received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

**(f) Functional Expenses**

The costs of program and supporting services activities has been summarized on a functional basis in the statements of activities and statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, primarily salaries, benefit and related expenses for certain individuals have been allocated among the programs and supporting services benefited. The allocation between functions is based on time spent by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

**(g) Compensated Absences**

Employees of the Quality Forum are entitled to general paid time (GPT) for purposes of vacation, holidays, personal business, illness, and other factors. The liability for GPT is accrued monthly and adjusted annually to reflect each employees' maximum number of hours carried over to the next fiscal year.

# **LOUISIANA HEALTH CARE QUALITY FORUM**

## **Notes to Financial Statements**

**December 31, 2018**

### **(1) Summary of Significant Accounting Policies (continued)**

#### **(h) Income Taxes**

The Quality Forum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and from Louisiana income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. The Quality Forum is classified by the Internal Revenue Service as a public charity. Accordingly, no provision for income taxes has been included in the financial statements. However, income from certain activities not directly related to the Quality Forum's tax-exempt purpose is subject to taxation as unrelated business income.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Quality Forum may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Quality Forum and various positions related to the potential sources of unrelated business taxable income (UBIT).

#### **(i) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that could affect reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results and the results of future periods could differ from those estimates.

**LOUISIANA HEALTH CARE QUALITY FORUM**

**Notes to Financial Statements**

**December 31, 2018**

**1) Summary of Significant Accounting Policies (continued)**

**(j) New Accounting Pronouncements - Adopted**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Quality Forum has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except as provided for in the ASU.

**(k) Reclassification**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Bank Operating Account	\$ 550,408	\$ 320,135
Money Market Mutual Fund	8,018	87,768
Savings Account	1,123	1,119
Petty Cash	<u>298</u>	<u>146</u>
Total Cash and Cash Equivalents	<u>\$ 559,847</u>	<u>\$ 409,168</u>

For the years ended December 31, 2018 and 2017, the money market account is invested with Fidelity Investments in its Fidelity Government Cash Reserves. This money market fund is invested 100% in cash and Federal government securities.

**LOUISIANA HEALTH CARE QUALITY FORUM**

**Notes to Financial Statements**

**December 31, 2018**

**(3) Investments**

At December 31, 2018, the Quality Forum had \$157,449 in investments that consisted of the following:

iShares TIPS Bond ETF	\$ 84,323
iShares TR Intermediate TR CRP ETF	<u>73,126</u>
Total Mutual Funds	<u><u>\$ 157,449</u></u>

For the years ended December 31, 2018 and 2017, the Quality Forum had (\$3,739) and \$11,894, respectively, in investment gains/ (losses) included in the statement of activities as Other Income.

**(4) Accounts Receivable**

Accounts receivable at December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Louisiana Department of Health & Hospitals	\$ 671,403	\$ 408,502
Various	260,434	175,660
Less: Allowance for Doubtful Accounts	<u>(128,812)</u>	<u>(87,563)</u>
Total	<u><u>\$ 803,025</u></u>	<u><u>\$ 496,599</u></u>

Management has evaluated all receivables at December 31, 2018 and 2017, to determine their collectability. For the years ended December 31, 2018 and 2017, the amount for allowance for doubtful accounts was based on an evaluation of past-due fees due from Louisiana hospitals and providers.

# LOUISIANA HEALTH CARE QUALITY FORUM

## Notes to Financial Statements

December 31, 2018

### **(5) Property and Equipment**

A summary of property and equipment for the years ended December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Facility construction	\$ 6,515	\$ 6,515
Furniture & Equipment	419,188	267,313
Software	<u>645,803</u>	<u>1,358,153</u>
	1,071,506	1,631,981
Less: Accumulated depreciation	<u>(985,773)</u>	<u>(1,558,733)</u>
Total	<u>\$ 85,733</u>	<u>\$ 73,248</u>

Depreciation expense for the years ended December 31, 2018 and 2017, amounted to \$70,146 and \$136,810, respectively.

### **(6) Note Payable**

An accounts payable vendor was converted to a note payable in May 2018 in the amount of \$920,000. The Quality Forum has the following note payable at December 31, 2018.

	<u>2018</u>
3.4% Note payable to Orion Health due in varying monthly installments through May 2024	<u>\$ 827,689</u>
Total	827,689
Less current portion	(47,516)
Total	<u>\$ 780,173</u>

# LOUISIANA HEALTH CARE QUALITY FORUM

## Notes to Financial Statements

December 31, 2018

### 6) Note Payable (continued)

Principal payments required in future years as of December 31, 2018, are as follows:

<u>Years ended December 31,</u>	
2019	\$ 47,516
2020	85,718
2021	130,264
2022	188,532
2023	230,826
2024	<u>144,833</u>
Total	<u>\$ 827,689</u>

### (7) Availability and Liquidity

The following represents the Quality Forum's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 559,847
Investment securities	157,449
Accounts receivable, net	<u>803,025</u>
Total financial assets	<u>\$ 1,520,321</u>
Less amounts not available to be used within one year or unavailable for general expenditures:	
Assets with donor restrictions, programs	<u>(24,364)</u>
	<u>\$ (24,364)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,495,957</u>

As part of the Quality Forum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# LOUISIANA HEALTH CARE QUALITY FORUM

## Notes to Financial Statements

December 31, 2018

### **(8) Contract Revenue**

#### **a. LaPOST**

The Louisiana Physician Orders for Scope of Treatment (“LaPOST”) is an initiative of the Quality Forum focused on providing consumers and health care professionals with the information, education, and resources necessary to make educated decisions about end-of-life care. The Quality Forum receives funding from multiple sources to support outreach and education efforts throughout the state for this initiative.

#### **b. TX/LA Telehealth Agreement**

On October 1, 2014 the Quality Forum entered into a subcontract agreement with Texas Tech University Health Sciences Center. The Quality Forum’s role is to provide a Project Coordinator to assist in developing the TX/LA Telehealth Resource Center. The agreement has been renewed annually with the latest extension granted September 1, 2018.

#### **c. TX Workforce Agreement**

On June 29, 2015, the Quality Forum entered into a subaward agreement with the University of Texas Health Science Center at Houston. The Quality Forum’s role under this agreement is to update the health IT instructional training materials to include the areas of population health management, care coordination and interoperability, new care delivery and payment models, and value-based purchasing. On June 29, 2016, the award was extended for a second year. The agreement ended in June 2017.

#### **d. OPH Health Promotion Contract**

On July 1, 2017, the Louisiana Department of Health (“LDH”), Bureau of Chronic Disease and Health Promotion contracted with the Quality Forum to provide technical support and consulting services to increase patient awareness of hypertension and diabetes, enhance self-management of these diseases, promote data reporting and support clinical innovations. The contract ended in June 2018.

**LOUISIANA HEALTH CARE QUALITY FORUM**

**Notes to Financial Statements**

**December 31, 2018**

**(9) Cooperative Endeavor Agreement Income**

**a. LDH Bureau of Health Services Financing**

On April 1, 2017, the Quality Forum entered into a cooperative endeavor agreement with the LDH, Bureau of Health Services Financing. Under this agreement, the Quality Forum is contracted to provide technical and consultative support as described in detail in the Implementation-Advance Planning Document Update for Health Information Technology. The Quality Forum will implement and / or provide support for the following initiatives: Medicaid Provider Outreach, Patient-Centered Medical Home Transformation, HIE Integration Assistance, LA Emergency Department Information Exchange, development of a LaPOST Registry, and implementation of an electronic health records (“EHR”) system in Louisiana’s correctional facilities. The term of this agreement expires on March 31, 2019.

**b. LDH Office of Public Health**

On July 1, 2017, the Quality Forum entered into a cooperative endeavor agreement with the LDH, Office of Public Health to provide a certified EHR system for use at all parish health units along with ongoing support for EHR adoption and meaningful use assistance. The term of this agreement expired on June 20, 2018. The Quality Forum entered into a second cooperative endeavor agreement beginning on July 1, 2018 for a period of three months. The Quality Forum entered into a third cooperative endeavor agreement beginning on October 1, 2018 for a period of six months.

**c. LDH Office of Aging and Adult Services**

On January 1, 2018, the Quality Forum entered into a six-month cooperative endeavor agreement with the LDH, Office of Aging and Adult Services with the purpose of providing education and resources to nursing facility administrators, staff, patients, and caregivers on Advance Care Planning and the LaPOST document. The term of this agreement ended on June 30, 2018.

# LOUISIANA HEALTH CARE QUALITY FORUM

## Notes to Financial Statements

December 31, 2018

### 9) Cooperative Endeavor Agreement Income (continued)

#### d. Department of Public Safety and Corrections

On December 1, 2016, the Quality Forum entered into a cooperative endeavor agreement with the Department of Public Safety and Corrections to provide a certified EHR system to Louisiana's correctional facilities that will be integrated with the LA Health Information Exchange ("LaHIE"). Per the cooperative endeavor agreement, deliverables include software and support, subscription to LaHIE, ongoing support for EHR adoption and meaningful use support. The term of this agreement expires on June 30, 2021.

### (10) Fair Value Measurements

Generally accepted accounting principles (GAAP) provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (level 1 investments) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the framework are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Quality Forum has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing model, discounted cash flow models, and similar techniques.

# LOUISIANA HEALTH CARE QUALITY FORUM

## Notes to Financial Statements

December 31, 2018

### **10) Fair Value Measurements (continued)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Quality Forum's investment assets at fair value as of December 31, 2018 and 2017. There have been no changes in the methodologies used at December 31, 2018.

<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Exchange Traded Funds	\$ 157,449	\$ -	\$ -	\$ 157,449
	<u>\$ 157,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,449</u>
<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Exchange Traded Funds	\$ 327,317	\$ -	\$ -	\$ 327,317
	<u>\$ 327,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,317</u>

### **(11) Retirement Plans**

Effective on May 16, 2013, the Quality Forum enrolled in the Louisiana Health Care Quality Forum 401(k) Plan. This plan is for the exclusive benefit of all eligible employees and their beneficiaries with the intention to provide a measure of retirement security for the future. To be eligible to participate, an employee must have completed one year of service or worked 1000 hours. The amount an employee can contribute to the plan is limited by the Internal Revenue Service in the amount that can be contributed as Salary Deferral. The amount of the Quality Forum's contribution to the plan is at the discretion of the Board of Directors; the Board of Directors has established a 4% employer contribution rate.

The Quality Forum's contributions to the plans for the years ended December 31, 2018 and 2017, amounted to \$39,149 and \$53,235, respectively.

**LOUISIANA HEALTH CARE QUALITY FORUM**

**Notes to Financial Statements**

**December 31, 2018**

**(12) Leases**

On October 1, 2014, the Quality Forum signed a 7-year lease for office space. The lease was amended in May 2017 returning a portion of the space to the landlord and reducing annual rent. The lease was amended in April 2019 to reflect the relocation of the Quality Forum to a smaller space. The terms of the second amendment begin in 2019 and end in January 2022 with the option to extend an additional year to January 2023. During 2019, the Quality Forum is paying rent for the IT Department and occupying another space at no cost until the entire space specified in the agreement next to the IT Department is ready for occupancy.

Future minimum lease payments related to these leases are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 42,648
2020	134,670
2021	137,478
2022	140,286
2023	11,710
	<u>\$466,792</u>

The Quality Forum's payments for leases for the years ended December 31, 2018 and 2017, amounted to \$253,987 and \$260,690, respectively.

**(13) Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2018 and 2017, consist of:

Restricted by donors for	<u>2018</u>	<u>2017</u>
LaPOST	<u>\$ 24,364</u>	<u>\$ 24,846</u>
Total	<u>\$ 24,364</u>	<u>\$ 24,846</u>

# LOUISIANA HEALTH CARE QUALITY FORUM

## Notes to Financial Statements

December 31, 2018

### **(13) Net Assets with Donor Restrictions (continued)**

Net assets were released from restrictions as follows during the years ended December 31, 2018 and 2017:

Satisfaction of purpose restrictions	<u>2018</u>	<u>2017</u>
HIE	\$ 806,805	\$ 1,095,009
LaPOST	102,271	162,798
TX/LA Telehealth	24,984	43,508
TX Workforce	-	7,774
Total	<u>\$ 934,060</u>	<u>\$ 1,309,089</u>

### **(14) Concentrations of Credit Risk**

The Quality Forum maintains its cash and cash equivalent balances in several financial institutions. Custodial credit risk is the risk that in the event of a bank failure, the Quality Forum's deposits may not be returned to them. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018, the Quality Forum's cash exceed federally insured limits by \$290,594 and \$415,085, respectively.

The Quality Forum receives the majority of its support from a contract with the Louisiana Department of Health and Hospitals (DHH). During each of the years ended December 31, 2018 and 2017, approximately 75% and 56%, respectively, of the total support of the Quality Forum was received from DHH.

### **(15) Subsequent Events**

The Quality Forum has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2019, and determined that there was one additional item for disclosure. The Quality Forum signed a lease amendment in April 2019 significantly reducing the annual rent expense due to the reduction of space. See footnote 11 Leases. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**LOUISIANA HEALTH CARE QUALITY FORUM**

Supplementary Information

December 31, 2018

**LOUISIANA HEALTH CARE QUALITY FORUM**  
**Schedule of Compensation, Benefits, and**  
**Other Payments to Agency Head or Chief Executive Officer**  
**For the year ended December 31, 2018**

Agency Head Name: Cindy Munn, Chief Executive Officer

Purpose	
Salary	\$ 44,660
Benefits-Insurance	3,568
Benefits-Retirement	n/a
Deferred Compensation	1,819
Benefits – Other (Disability Insurance, Life Insurance, HRA)	1,642
Car allowance	n/a
Vehicle provided by government	n/a
Vehicle Rental	n/a
Cell Phone	528
Dues	n/a
Per Diem	n/a
Reimbursements	n/a
Travel	61
Registration Fees	n/a
Conference Travel	696
Housing	n/a
Unvouchered Expenses	n/a
Special meals	110
Other	n/a

See independent auditors' report.



**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**

Louisiana Health Care Quality Forum

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Health Care Quality Forum, which comprise the statement of financial position as of December 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, and have issued our report thereon dated June 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Quality Forum'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Quality Forum's internal control. Accordingly, we do not express an opinion on the effectiveness of The Quality Forum'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 The Quality Forum'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*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richard CPAS*

Metairie, Louisiana  
June 27, 2019



**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Louisiana Health Care Quality Forum  
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of the Louisiana Health Care Quality Forum (the "Quality Forum") and the Louisiana Legislative Auditor (LLA) (the specified parties) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Louisiana Health Care Quality Forum'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 - No testing performed due to no exceptions reported in year 1 for this category.**

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - 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.

## **Written Policies and Procedures (continued)**

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- 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, required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

## **Board or Finance Committee – No testing performed due to no exceptions reported in year 1 for this category.**

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

## **Board or Finance Committee (continued)**

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget- to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

## **Bank Reconciliations – No testing performed due to no exceptions reported in year 1 for this category.**

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management' s representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Collections – No testing performed due to no exceptions reported in year 1 for this category.**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.

## Collections (continued)

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

## Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**We performed the procedures above and noted no exceptions.**

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

**We performed the procedures above and noted the following exception:**

- **Any employee can initiate a purchase solely, which complies with the Quality Forum's policy.**
- b) At least two employees are involved in processing and approving payments to vendors.

**We performed the procedures above and noted no exceptions.**

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

**We performed the procedures above and noted the following exceptions:**

- **The Office Administrator processes payments and adds vendors to Bill.com.**

Non-Payroll Disbursements (continued)

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**We performed the procedures above and noted no exceptions.**

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management' s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice /billing statement.

**We performed the procedures above and noted no exceptions.**

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**We performed the procedures above and noted no exceptions.**

**Management's response:**

- **9a) Non-Payroll Disbursements:** Management concurs and will evaluate potential strategies for compliance.
- **9c) Non-Payroll Disbursements:** The current process does have segregation of duties to mitigate risk. The CEO reviews and approves all vendor payments before they are processed. Management will enhance the current process and controls that are in place to include additional vendor file review and documentation of such.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

**We performed the procedures above and noted no exceptions.**

**Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)**

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit /debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

**We performed the procedures above and noted no exceptions.**

- b) Observe that finance charges and late fees were not assessed on the selected statements.

**We performed the procedures above and noted no exceptions.**

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by

- (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**We performed the procedures above and noted no exceptions.**

**Travel and Travel-Related Expense Reimbursements (excluding card transactions) – No testing performed due to no exceptions reported in year 1 for this category.**

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

**Travel and Travel-Related Expense Reimbursements (excluding card transactions)**  
**(continued)**

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Contracts – No testing performed due to no exceptions reported in year 1 for this category.**

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

# RICHARD || CPAS

**Payroll and Personnel – No testing performed due to no exceptions reported in year 1 for this category.**

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
  
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
  
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**Ethics – Not applicable to nonprofits.**

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

**Debt Service – Not applicable to nonprofits.**

21. Obtain a listing of bonds/notes issued during the fiscal period and management' s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

**Other – No testing performed due to no exceptions reported in year 1 for this category.**

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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.

*Richard CPAS*

Metairie, Louisiana  
June 27, 2019