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**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

December 26, 2018

Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9980

Re: Teche Action Board, Inc. d/b/a Teche Action Clinic

We are resubmitting the audit report and agreed-upon procedures report for Teche Action Board, Inc. d/b/a Teche Action Clinic for the year ended May 31, 2018 to correct page 7, procedures #13(1) and #13(3) of the agreed-upon procedures report to reflect no exceptions.

If we can be of any further assistance, please do not hesitate to call.

Yours truly,
Hawthorn, Waymouth & Carroll, L.L.P.

By: *Charles Pevey*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 30 2019

REISSUE

**Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana
May 31, 2018**

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Independent Auditor's Report

Board of Directors
Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Teche Action Board, Inc. d/b/a Teche Action Clinic (a non-profit organization), which comprise the statement of financial position as of May 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 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 Teche Action Board, Inc. d/b/a Teche Action Clinic as of May 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, and the schedule of compensation, benefits, and other payments to agency head or chief executive officer, as required by the Louisiana Legislative Auditor, are presented for purposes of additional analysis and are 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 November 21, 2018, on our consideration of Teche Action Board, Inc. d/b/a Teche Action Clinic'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic's internal control over financial reporting and compliance.



November 21, 2018

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Financial Position
May 31, 2018

Assets

Current Assets	
Cash and cash equivalents	\$ 4,774,317
Certificate of deposit	300,000
Investments	3,198,651
Patient accounts receivable, net	656,585
Grants receivable	1,099,992
Inventory	214,694
Prepaid expenses	67,226
Total current assets	10,311,465
Property, Plant and Equipment, net	12,566,533
Other Assets	
	3,000
Total assets	\$ 22,880,998

Liabilities and Net Assets

Current Liabilities	
Current portion of notes payable	\$ 186,887
Current portion of leases payable	75,322
Line of credit	2,627,171
Accounts payable	413,244
Accrued liabilities	1,105,674
Total current liabilities	4,408,298
Long-Term Liabilities	
Long-term portion of notes payable	156,072
Long-term portion of leases payable	47,010
Total long-term liabilities	203,082
Total liabilities	4,611,380
Unrestricted Net Assets	18,269,618
Total liabilities and net assets	\$ 22,880,998

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Activities
Year Ended May 31, 2018

Revenue and Support	
Patient service revenue, net	\$ 12,082,704
Provision for bad debts	(412,279)
	<hr/>
Net patient service revenue, less provision for bad debts	11,670,425
Federal grants revenue	5,569,008
Other grant and contract revenue	2,008,969
Interest	143,654
340B pharmacy revenue	111,317
Other revenue	391,051
Gain (loss) on investments	(168,812)
	<hr/>
Total revenue and support	19,725,612
	<hr/>
Expenses	
Program	13,086,701
Management and general	5,336,849
	<hr/>
Total expenses	18,423,550
	<hr/>
Change in Unrestricted Net Assets	1,302,062
	<hr/>
Unrestricted Net Assets, beginning of year, as previously reported	15,543,788
Prior period adjustment - see Note 16 for description	1,423,768
	<hr/>
Unrestricted Net Assets, beginning of year, as restated	16,967,556
	<hr/>
Unrestricted Net Assets, end of year	<u><u>\$ 18,269,618</u></u>

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Functional Expenses
Year Ended May 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Salaries	\$ 8,869,516	\$ 1,751,954	\$ 10,621,470
Payroll taxes and fringe benefits	1,395,666	288,667	1,684,333
Medical contracts	554,818	77,190	632,008
Non-medical contracts	3,054	672,352	675,406
Supplies	1,667,596	230,455	1,898,051
Travel	169,690	143,043	312,733
Repairs and maintenance	100,714	337,433	438,147
Utilities	8,238	329,898	338,136
Telephone and postage	-	282,354	282,354
Dues and subscriptions	40,396	33,486	73,882
Insurance	102,495	77,182	179,677
Organizational meetings	27,885	68,860	96,745
Advertising	6,835	75,772	82,607
Rental	9,205	12,612	21,817
Other expenses	79,210	71,053	150,263
Depreciation	-	730,652	730,652
Lease expenses	34,015	34,016	68,031
Interest	17,368	119,870	137,238
	<u>\$ 13,086,701</u>	<u>\$ 5,336,849</u>	<u>\$ 18,423,550</u>

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Statement of Cash Flows
Year Ended May 31, 2018

Cash Flows from Operating Activities	
Change in unrestricted net assets	\$ 1,302,062
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities	
Depreciation	730,652
Realized loss on investments	71,767
Net depreciation in fair value of investments	97,045
Provision for bad debts	412,279
(Increase) Decrease in assets:	
Patient accounts receivable	119,133
Grants receivable	323,776
Inventory	(32,474)
Prepaid expenses	39,455
Increase (Decrease) in liabilities:	
Accounts payable	(113,848)
Accrued liabilities	43,671
	<hr/>
Net cash provided by operating activities	2,993,518
	<hr/>
Cash Flows from Investing Activities	
Purchase of property, plant and equipment	(82,082)
Purchase of investments	(60,375)
	<hr/>
Net cash used in investing activities	(142,457)
	<hr/>
Cash Flows from Financing Activities	
Proceeds from notes payable	123,287
Payments on notes payable	(796,066)
Proceeds from leases payable	45,992
Payments on leases payable	(88,967)
	<hr/>
Net cash used in financing activities	(715,754)
	<hr/>
Net Change in Cash and Cash Equivalents	2,135,307
Cash and Cash Equivalents, beginning of year	2,639,010
	<hr/>
Cash and Cash Equivalents, end of year	\$ 4,774,317
	<hr/> <hr/>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for:	
Interest	\$ 137,238
	<hr/> <hr/>

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

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Teche Action Board, Inc. (the "Organization") operates as Teche Action Clinic. The Organization was incorporated in May 1974 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC). The Organization primarily earns revenue by providing medical services to its patients and through various federal grants and state contracts.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

Management has determined there are no uncertain tax positions that would require recognition in the financial statements. If the Organization were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax liability would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax law, regulations, and interpretations thereof, as well as other factors.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The Organization reports 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. Unrestricted net assets include those net assets whose use by the Organization is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or other specific dates, or for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Organization's use of the asset. At May 31, 2018, the Organization had no temporarily or permanently restricted net assets.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 1 – NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the statement of financial position involving a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results in the period they are determined.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Advertising Expense

The Organization expenses the cost of advertising as the expense is incurred. For the year ended May 31, 2018, advertising expense totaled \$82,607.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for property, plant and equipment in excess of \$5,000. Depreciation of property, plant and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 35
Equipment, furniture and fixtures	3 - 20
Vehicles	10

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Patient Accounts Receivable

The Organization records patient receivables at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

Allowance for Doubtful Accounts and Bad Debts

Patient receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Major Funding Source

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

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.

Grants and Contributions

Grants are recognized as income as related expenses are incurred, and contributions are recognized as income when received.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Inventory

Inventory is comprised of pharmaceutical supplies and is stated at the lower of cost or net realizable value, determined by the FIFO method.

Retirement Plan

The Organization has a 401(k)-retirement plan for eligible employees. The plan provides for a mandatory 3% safe-harbor matching contribution. The Organization will also match 50% of an employee's contributions up to an additional 2%. All participating employees are fully vested immediately. To be eligible, an employee must be employed with the Organization for at least one year and must be at least eighteen years of age. Retirement expense recognized was \$107,891 for the year ended May 31, 2018.

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE 2 – PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the years ended May 31, 2018:

Medicare	\$ 209,291
Medicaid	576,269
Private insurance and self-pay	<u>831,539</u>
	1,617,099
Less allowance for doubtful accounts	<u>960,514</u>
Patient accounts receivable, net	<u>\$ 656,585</u>

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 3 – COST REPORT RECEIVABLE

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following as of May 31, 2018:

Building and improvements	\$ 13,736,492
Furniture and equipment	3,203,975
Vehicles	556,385
Land improvements	238,979
	17,735,831
Less: accumulated depreciation and amortization	6,400,171
	11,335,660
Land	1,195,873
Construction in progress	35,000
Net property, plant and equipment	\$ 12,566,533

NOTE 5 – ACCRUED VACATION

The Organization allows employees to carry 40 hours of unused vacation into the following year. An employee may carry over additional vacation hours only with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At May 31, 2018, accrued vacation totaled \$457,133 and is included in accrued liabilities on the statement of financial position.

NOTE 6 – OPERATING LEASES

The Organization has various lease agreements for 17 copy machines. Monthly payments range from \$183 to \$488 per month and have an initial term of 60 months. Lease expense on these operating leases totaled \$68,031 for the year ended May 31, 2018.

Future minimum payments are as follows for the years ending May 31:

2019	\$ 65,019
2020	56,947
2021	39,921
2022	8,684
2023	1,410
	\$ 171,981

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 7 – ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total revenue and support from the federal government. During the year ended May 31, 2018, the Organization recorded \$5,569,008 in grant support from the Department of Health and Human Services. This represents 28% of total revenue and support for the year ended May 31, 2018.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization maintains deposit balances that exceed federally insured limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's patients are located in South Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of May 31, 2018 was as follows:

Medicare	9 %
Medicaid	74 %
Other	17 %
	<u>100 %</u>

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

NOTE 10 – LINE OF CREDIT

The Organization has a revolving line of credit with Whitney Bank dated March 21, 2017 with a current limit of \$3,250,000. The line of credit is secured by all deposits and investments held for the Organization at Whitney Bank and bears interest of 2.0 percentage points over the London Interbank Offered Rate (LIBOR). The balance outstanding on this line of credit was \$2,627,171 at May 31, 2018.

The Organization has an additional revolving line of credit with Whitney Bank dated March 21, 2017 with an available limit of \$500,000. Interest accrues and is payable monthly at the 30-day ICE LIBOR rate plus 2.25% on any outstanding balance. The line of credit is secured by all deposits and investments held for the Organization at Whitney Bank. There was no outstanding balance as of May 31, 2018.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 11 – DONATED PHARMACEUTICALS

The Organization participates in several pharmaceutical distribution programs for indigent patients. Under these programs, free prescriptions are provided to eligible patients of the Organization. These amounts are not included in the statement of activities.

NOTE 12 – NOTES PAYABLE

Bank note payable dated March 21, 2017, due in 35 equal monthly installments of \$13,588 and one final payment of remaining balance to be paid upon maturity on March 21, 2020, bearing interest at 3.75%, collateralized by equipment.	\$ 288,081
Note payable dated November 27, 2014, due in 48 equal monthly installments of \$668, maturing on November 27, 2018, bearing interest at 4.87%, collateralized by related automobile.	3,303
Bank note payable dated September 29, 2017, due in 10 monthly installments of \$12,529, maturing on July 29, 2018, bearing interest at 3.50%, for financing insurance premiums, collateralized by all deposits with lending bank.	12,635
Financing agreement payable dated September 14, 2015, due in 60 equal monthly installments of \$1,493, maturing on September 20, 2020, bearing interest at 5.90%, collateralized by medical equipment.	<u>38,940</u>
Total notes payable	342,959
Less current portion	<u>186,887</u>
Long-term debt	<u>\$ 156,072</u>

Future maturities of notes payable as of May 31 are as follows:

2019		\$ 186,887
2020		150,201
2021		<u>5,871</u>
		<u>\$ 342,959</u>

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 13 – FAIR VALUE MEASUREMENTS

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

The amortized cost and fair values measured on a recurring basis of investment securities as of May 31, 2018 are as follows:

<u>Level 2 Observable Inputs</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
<i>Fixed income securities</i>		
Mortgage backed securities	\$ 2,253,663	\$ 2,157,146
Corporate bonds	812,459	793,194
Municipal bonds	<u>253,461</u>	<u>248,311</u>
Total investments	<u>\$ 3,319,583</u>	<u>\$ 3,198,651</u>

NOTE 14 – CAPITAL LEASES

The Organization is the lessee of various medical and office equipment under capital leases expiring in various years through May 2020. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under capital leases totaling \$42,324 is included in depreciation expense for the year ended May 31, 2018. Accumulated amortization of assets under capital leases totaling \$63,019 is included in accumulated depreciation as of May 31, 2018. The capitalized cost on these capital leases is included in furniture and equipment and totaled \$218,468 as of May 31, 2018.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Financial Statements
May 31, 2018

NOTE 14 – CAPITAL LEASES (Continued)

Minimum future lease payments under capital leases as of May 31 are as follows:

2019	\$ 75,322
2020	<u>47,010</u>
Total	<u>\$ 122,322</u>

Interest rates on capitalized leases vary from 2.50% to 6.61% and are imputed based on the lower of the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments at May 31, 2018 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial positions. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of notes payable approximate their fair value, as interest is insignificant.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net assets at the beginning of the fiscal year have been adjusted to correct errors made in 2017. Deferred grant revenue in the amount of \$69,490 was improperly recorded at May 31, 2017 and a grant receivable of \$133,557 was not recorded, resulting in a difference of \$203,047 at May 31, 2017. Also, a contract receivable of \$1,220,722 was not recorded at May 31, 2017. The cumulative effect of these two adjustments increased net assets by \$1,423,768. The correction has no effect on the results of the current year's activities.

NOTE 17 – SUBSEQUENT EVENTS

Management of the Organization evaluated all subsequent events through November 21, 2018, which is the date the financial statements were available to be issued.

On June 14, 2018, the Organization entered into a \$1,343,400 contract with a construction company for the reconstruction of the Pierre Part clinic.

Supplementary Information

**Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
May 31, 2018**

Agency Head Name: Dr. Gary Wiltz, Chief Executive Officer

Purpose	Amount
Salary	\$185,000.00
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

The above amount represents compensation paid to the CEO only from public funds received by the Organization.



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

**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***

Board of Directors
Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana

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 Teche Action Board, Inc. d/b/a Teche Action Clinic (a nonprofit organization), which comprise the statement of financial position as of May 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 November 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of Teche Action Board, Inc. d/b/a Teche Action Clinic'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2018-001).

8545 United Plaza Blvd., Suite 200 • Baton Rouge, LA 70809 • Tel: 225.923.3000 • Fax: 225.923.3008



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
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**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors
Teche Action Board, Inc.
d/b/a Teche Action Clinic
Franklin, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Teche Action Board, Inc. d/b/a Teche Action Clinic'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 the Organization's major federal programs for the year ended May 31, 2018. Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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 Teche Action Board, Inc. d/b/a Teche Action Clinic's compliance.

Opinion on Each Major Federal Program

In our opinion, Teche Action Board, Inc. d/b/a Teche Action Clinic 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 May 31, 2018.

Report on Internal Control Over Compliance

Management of Teche Action Board, Inc. d/b/a Teche Action Clinic 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 Teche Action Board, Inc. d/b/a Teche Action Clinic'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 in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Teche Action Board, Inc. d/b/a Teche Action Clinic'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 a 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.



November 21, 2018

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2018

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S Department of Health and Human Services			
Health Centers Cluster*			
Consolidated Health Centers	N/A	93.224	\$ 1,327,354
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	N/A	93.527	4,206,654
Total Health Centers Cluster			<u>5,534,008</u>
Health Infrastructure Investment Program	N/A	93.526	35,000
Total expenditures of federal awards			<u><u>\$ 5,569,008</u></u>

*Denotes major program

The accompanying notes are an integral part of this schedule.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Notes to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of Teche Action Board, Inc. d/b/a Teche Action Clinic under programs of the federal government for the year ended May 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – LOANS AND LOAN GUARANTEE PROGRAMS

The Organization had no loans or loan guarantee programs outstanding as of May 31, 2018 for those loans described in 2 CFR 200.502(b).

NOTE 5 – SUBRECIPIENTS

The Organization did not pass-through any of its federal awards to subrecipients during the year ended May 31, 2018.

NOTE 6 – NON-CASH ASSISTANCE

For the year ended May 31, 2018, the Organization did not expend any federal awards in the form of non-cash assistance.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Findings and Questioned Costs
Year Ended May 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

*Material weakness(es) identified? Yes X No
 *Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

*Material weakness(es) identified? Yes X No
 *Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224/93.527	Health Centers Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

A separate management letter was not issued.

Teche Action Board, Inc. d/b/a Teche Action Clinic
Schedule of Findings and Questioned Costs
Year Ended May 31, 2018

Section II – Financial Statement Findings

2018-001: Recording of Fixed Assets

Condition: Two previously disposed assets were not removed from the fixed asset schedule at year-end, and one asset was not recorded on the fixed asset schedule at year-end.

Criteria: When fixed assets are purchased or disposed, the fixed asset schedule should be properly updated with the related transactions being recorded to the general ledger.

Effect: Errors in the financial statements could go undetected.

Cause: Management was not reviewing and reconciling the fixed asset schedule on a regular basis.

Auditor's Recommendation: Management should review the fixed asset schedule on a regular basis and reconcile the schedule to the general ledger to ensure accuracy and completeness.

Management's Response: During 2017, Teche Action Clinic had major changes within the finance department, including the loss of a 16-year key member of the team who managed fixed assets, implementation of new systems and technologies and transition of major accounts.

The department retained and trained new staff and implemented utilization of new features within our accounting software, including the fixed assets and bank reconciliation modules. During this transition, we moved approximately 600 fixed assets from a manual excel tracking spreadsheet and entered all assets into the accounting software system platform. In reviewing the manual list, we failed to remove 2 vehicles, one which was traded-in and the other was declared a total loss by the insurance company in March of 2018 after being stolen and destroyed. We also neglected to include a company van which was not properly recorded. Utilization of the new fixed assets and bank reconciliation modules within our accounting software system will allow for better management, oversight and reporting, in addition to allowing the finance department to reconcile the schedule to the general ledger to ensure accuracy.

Going forward, the finance department will review the current fixed assets on a quarterly basis and work with department heads to ensure all discontinued assets are timely reported to the finance department for proper removal from the list. We will continue training new finance staff on the correct recording of future fixed assets and proper utilization of system capabilities.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

**Teche Action Board, Inc. d/b/a Teche Action Clinic
Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended May 31, 2018**

Section II – Financial Statement Findings

2017-001: Reconciliation of Accounting Records to Financial Statements

Summary of Prior Year Finding: Several balance sheet accounts, specifically notes payable, credit cards payable, accounts payable and payroll taxes payable were not reconciled to the Organization's financial statements in a timely manner.

Status: This finding has been cleared.

A management letter was not issued.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

**Teche Action Board, Inc.
d/b/a Teche Action Clinic
Agreed-Upon Procedures Report
May 31, 2018**



**Independent Accountant's Report
on Applying Agreed-upon Procedures**

To the Board of Trustees of
Teche Action Board, Inc. d/b/a Teche Action Clinic and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Teche Action Board, Inc. d/b/a Teche Action Clinic and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2017 through May 31, 2018. The Entity's management is responsible for those control and compliance 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed 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.

No exceptions noted.

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.

The Entity does not have written policies and procedures on how vendors are added to their vendor list.

c) ***Disbursements***, including processing, reviewing, and approving.

No exceptions noted.

- 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).

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- 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.

The Entity does not have written policies and procedures on types of services requiring written contracts, standard terms and conditions, and legal review.

- 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 of statements, and (5) monitoring card usage.

No exceptions noted.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions noted.

Board or Finance Committee

2. Obtained and inspected 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) Observed 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.

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observed 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, observed 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.*

No exceptions noted.

- c) For governmental entities, obtained the prior year audit report and observed 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, observed 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.

The Entity is not a governmental entity; therefore, this procedure is not applicable.

Bank Reconciliations

3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for the selected account, and observed 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);

The bank reconciliation does not include evidence that it was prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged);

No exceptions noted.

- 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.

No exceptions noted.

Collections

4. Obtained 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. Selected the entity's only deposit site.

No exceptions noted.

5. For the deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for the entity's only deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at the selected collection location, and observed that job duties are properly segregated at the selected collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

- 6. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

- 7. Randomly selected two deposit dates for the bank account selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the 2 deposits and:

- a) Observed that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Traced the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observed 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).

No exceptions noted.

- e) Traced the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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

- 8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the entity's only location that processes payments.

No exceptions noted.

- 9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed 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.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- 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.

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

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

No evidence supporting segregation of duties.

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

11. Obtained 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. Obtained management's representation that the listing is complete.

No exceptions noted.

12. Using the listing prepared by management, selected all 3 cards that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card, obtained supporting documentation, and:
- a) Observed 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.]

The monthly statements did not contain written evidence of review and approval

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

No exceptions noted.

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

(1) No exceptions noted.

(2) Twenty transactions were not supported by written documentation of the business/public purpose

(3) No exceptions noted.

Travel and Travel-related Expense Reimbursements (excluding card transactions)

14. Obtained 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 selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation for each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

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

No exceptions noted.

- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

One employee reimbursement lacked an original itemized receipt.

- c) Observed 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).

One employee reimbursement lacked a business/public purpose.

- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

One employee reimbursement lacked written approval by someone other than the person receiving reimbursement.

Contracts

- 15. Obtained 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. Obtained management's representation that the listing is complete. Selected 5 contracts from the listing, excluding the practitioner's contract, and:

- a) Observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- b) Observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observed that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly selected one payment from the fiscal period for each of the contracts selected, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees/officials, obtained their related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

17. Randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtained attendance records and leave documentation for the pay period, and:

- a) Observed 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.)

No exceptions noted.

- b) Observed that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

18. Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulative leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

19. Obtained 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.

No exceptions noted.

Other

20. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted it is not aware of any misappropriations of public funds or assets.

21. Observed 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.

The notice required by R.S. 24:523.1 was not posted on the Entity's website.

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 control and compliance 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 control and compliance 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.

Hawthorn, Wagnon & Carroll, LLP

November 28, 2018



TECHE ACTION BOARD, Inc. dba TECHE ACTION CLINIC

1115 Weber Street - Franklin, LA 70538

Ph.: (337) 828-2550 Fax: (337) 828-2873

www.tabhealth.org

FROM THE DESK OF: **Berryl Thompson-Broussard, J.D., LL.M.**

Email: Berryl@tabhealth.org
Direct Dial: 337-828-2550 ext. 2237

December 19, 2018

December 19, 2019

The Teche Action Clinic finance department worked extensively with Hawthorn Waymouth & Carroll to provide supporting information maintained within its department to respond to requests for information. However, some of the information sought by Hawthorn Waymouth & Carroll, was not maintained in the finance department, but rather was maintained in other departments. In review of the itemized list of exceptions noted, Teche Action Clinic quickly recognized that the supporting documentation sought by Hawthorn Waymouth & Carroll was maintained by other departments within the organization. This written documentation has been subsequently provided to Hawthorn Waymouth & Carroll for review and reconciliation with the financial records that were reviewed.

After review of the SAUP Audit report that was provided on December 18, 2018 by Kevin Rodriguez, CPA with Hawthorn Waymouth & Carroll, along with an itemized list of those transactions that resulted in exceptions being noted, Teche Action Clinic seeks to amend its previous response as follows:

Response to Exception noted in 1(b) of the LLA's Statewide Agreed-Upon Procedures (SAUPs):

After review of the AUP report that was provided on December 18, 2018 by Kevin Rodriguez, CPA with Hawthorn Waymouth & Carroll, Teche Action Clinic acknowledges that while it currently has operating procedures by which it updates its vendor list when services of new vendors are retained, expire or terminated, Teche Action Clinic will implement formal written policies and procedures reflective of its current operating procedures to ensure that proper processes and procedures are documented and communicated to staff as to how Teche Action Clinic's vendor list is updated, in accordance with the exception noted in 1(b) of the LLA's Statewide Agreed-Upon Procedures (SAUPs).

Response to Exception noted in 1(f) of the LLA's Statewide Agreed-Upon Procedures (SAUPs):

Additionally, as a Federally Qualified Health Center, Teche Action Clinic adheres to federal procurement laws, rules, and regulations, HRSA compliance manual, as well as Louisiana law with regards to contracting requirements and the standard terms and conditions contained therein. Teche Action Clinic provided only the financing department policies and procedures with regards to

Louisiana Campus Locations:

Franklin, Morgan City, Houma, Reserve, Pierre Part, Edgard, Dulac, Thibodaux, Galliano

Louisiana School-Based Clinics:

Baldwin, Laplace, Edgard, Reserve



purchasing/procurement and will develop formal written finance department policies and procedures to specifically address the types of services which require written contracts, the standard terms and conditions that are required to be contained therein, as well as the process for legal review. However, in performing its audit, Hawthorn Waymouth & Carroll was only provided policies and procedures from the finance department. Teche Acton Clinic's Legal Department has a policy (LGL 1.12) that addresses the process required for contract review and tracking. It is Teche Action Clinic's belief that this policy should satisfy the exception noted in 1(f) of the LLA's Statewide Agreed-Upon Procedures (SAUPs) and that the finance department does not require a separate written policy and procedure with regards to Section 1(f).

Response to Exception noted in 3(a) of LLA's Statewide Agreed-Upon Procedures (SAUPs):

As part of Teche Action Clinic's current policy and procedures, all bank statements within the required time frame are reconciled; however, Teche Action Clinic will revise its current policy to require evidence to support that reconciliation was performed timely by including the date of review in addition to the signature and date on the statement.

Response to Exception noted in 13(2) of LLA's Statewide Agreed-Upon Procedures (SAUPs):

The SAUP report indicated that there were 20 transaction "not supported by written documentation of the business/public purpose." In review of the itemized list of those specific transactions that resulted in the exceptions noted, Teche Action Clinic identified that all transactions resulting in the exceptions were for a legitimate business/public purpose and such was evidenced by written documentation that was not maintained in the Finance Department, but in other departments within the organization (i.e., Chief Operations Officer, Human Resource Department, School-Based and Community Outreach departments). While the "written documentation" was not attached to the invoices maintained in the Accounts Payable department, various departments retained the supporting documentation that provides evidence of the legitimate public/business purpose of the transaction. In light of this audit, Teche Action Clinic acknowledges that there are opportunities to improve our processes, including requiring all written documentation that supports the public/business purpose of the transaction to be attached to the invoices and maintained in the finance department. Also, as part of these improved processes, we will implement additional controls, revise our policies and procedures, educate our employees, and actively monitor compliance.

Response to Exception noted in 14(b) and 14 (c) of LLA's Statewide Agreed-Upon Procedures (SAUPs):

The SAUP report indicated an exceptions noted that "employee reimbursement lacked an original itemized receipt" and "lacked a business/public purpose." In review of the specific transaction that resulted in the exceptions noted, it was identified that there was written documentation supporting the business purpose of the reimbursement. While the written documentation was not maintained in the Accounts Payable department, it was maintained by the Outreach Department supervisor, a copy was requested and provided to Hawthorn Waymouth & Carroll. In light of this audit, Teche Action Clinic acknowledges that there are opportunities to improve our processes, including requiring all written documentation that supports the public/business purpose of the transaction to be attached to the

invoices and maintained in the finance department. Also, as part of these improved processes, we will implement additional controls, revise our policies and procedures, educate our employees, and actively monitor compliance.

Response to Exception noted in 14(d) of LLA's Statewide Agreed-Upon Procedures (SAUPs) :

Teche Action Clinic will revise our current policies and procedures with regards to reimbursement of procedures. Additionally, Teche Action Clinic will provide additional education and training to employees that specifically discusses the importance of turning in all supporting documentation, including itemized receipts. We will also provide outstanding or missing receipts to the CEO each month for his review. We will revise our current policies to implement new processes to ensure employees include the purpose of the expenditure and written approval by someone other than the person receiving the reimbursement prior to issuance of reimbursement.

Response to Exception noted in 21 of LLA's Statewide Agreed-Upon Procedures (SAUPs):

As part of its Corporate Compliance Program and Employee Ethics Code, Teche Action Clinic advises its employees and patients as to the method by which they may voice and report concerns regarding misappropriation, fraud, waste, or abuse of public funds. This information is conspicuously placed on-site in our clinics. However, to ensure compliance with La. R.S. 24:523.1, Teche Action Clinic will update its website to communicate this information.

Should you have any questions or require additional information, please contact me.

With kindest regards, I remain,

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Berryl Thompson-Broussard", with a long horizontal flourish extending to the right.

Berryl Thompson-Broussard, J.D., LL.M
General Counsel