

**RAPIDES PRIMARY HEALTH  
CARE CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2019  
(WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018)**

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
February 28, 2019  
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**BROWN, EWING & CO.**  
P. A.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

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

We have audited the accompanying financial statements of Rapides Primary Health Care Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, cash flows, and functional expenses 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 *Governmental 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 of 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 Rapides Primary Health Care Center, Inc. as of February 28, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Rapides Primary Health Care Center, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other-Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019, on our consideration of Rapides Primary Health Care Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Rapides Primary Health Care Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rapides Primary Health Care Center, Inc.'s internal control over financial reporting and compliance.

*B. Brown, Esq. & Co.*

Ridgeland, Mississippi  
August 28, 2019

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Financial Position  
February 28, 2019  
(With Summarized Financial Information for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 3,496,340	\$ 2,358,312
Patient care receivables, less allowance of \$1,121,431 for doubtful accounts	910,409	1,210,427
Grants receivable	281,434	96,454
Employee advances	19,002	9,165
Investment in LPCA	<u>3,000</u>	<u>3,000</u>
Total Current Assets	<u>4,710,185</u>	<u>3,677,358</u>
Fixed Assets:		
Land	69,027	68,027
Building and improvements	3,530,106	3,530,106
Furniture and equipment	1,270,016	1,242,241
Vehicles	167,378	92,924
Construction in Progress	<u>689,826</u>	<u>40,457</u>
Total Fixed Assets	5,726,353	4,973,755
Less: Accumulated depreciation	<u>(1,829,004)</u>	<u>(1,770,169)</u>
Net Fixed Assets	<u>3,897,349</u>	<u>3,203,586</u>
Other Assets:		
Deposits	<u>1,500</u>	<u>1,500</u>
TOTAL ASSETS	<u>\$ 8,609,034</u>	<u>\$ 6,882,444</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 592,043	\$ 103,846
Deferred revenue	623,878	1,009,889
Payroll taxes payable	48,064	40,999
Other payroll deductions payable	24,254	24,110
Salaries payable	97,104	42,872
Accrued annual leave	19,557	21,896
Bank line of credit	-	8,300
Total Current Liabilities	<u>1,404,900</u>	<u>1,251,912</u>
Total Liabilities	<u>1,404,900</u>	<u>1,251,912</u>
Net Assets:		
Without donor restrictions		
Undesignated (Operating)	3,759,187	2,426,946
Investment in fixed assets, net of related debt	<u>3,444,948</u>	<u>3,203,586</u>
Total Net Assets	<u>7,204,135</u>	<u>5,630,532</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,609,035</u>	<u>\$ 6,882,444</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Operations and Changes in Net Assets  
For the Year Ended February 28, 2019  
(With Summarized Financial Information for 2018)

	<u>Without Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUES (Note 2)		
Support:		
Federal grants and contracts	\$ 2,719,935	\$ 2,154,827
Total Support	<u>2,719,935</u>	<u>2,154,827</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$(986,329)	3,119,058	2,961,429
Contributions	70	-
Interest income	30,834	7,857
Other income	4,679	7,443
In-kind revenues	821,340	234,567
Total Revenue	<u>3,975,981</u>	<u>3,211,296</u>
TOTAL SUPPORT AND REVENUES	<u>6,695,916</u>	<u>5,366,123</u>
EXPENSES		
Program Services		
Medical services	3,252,419	2,274,099
Dental services	818,370	734,880
Outreach services	67,195	87,870
Total Program Services	<u>4,137,984</u>	<u>3,096,849</u>
Supporting Services		
Management and general	984,329	863,212
Total Supporting Services	<u>984,329</u>	<u>863,212</u>
TOTAL EXPENSES	<u>5,122,313</u>	<u>3,960,061</u>
Change in net Assets	<u>1,573,603</u>	<u>1,406,062</u>
Net Assets, Beginning of Year	5,630,532	5,234,359
Prior period adjustment	-	(1,009,889)
Net Assets, as restated	<u>5,630,532</u>	<u>4,224,470</u>
NET ASSETS, END OF YEAR	<u>\$ 7,204,135</u>	<u>\$ 5,630,532</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Functional Expenses  
For the Year Ended February 28, 2019  
(With Summarized Financial Information for 2018)

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Medical Services	Dental Services	Outreach Services	Total Program Services	Management and General	2019 Total Expenses	2018 Total Expenses
Personnel	\$ 808,001	200,989	-	1,008,990	544,621	\$ 1,553,611	\$ 1,376,923
Fringe benefits	229,365	57,207	-	286,572	154,599	441,171	433,625
Travel	69,088	27,716	-	96,804	34,441	131,245	51,698
Supplies	150,687	88,838	-	239,525	71,293	310,818	310,305
Equipment rental	736	368	-	1,104	368	1,472	15,891
Contractual	936,676	310,252	67,195	1,314,123	58,804	1,372,927	1,146,219
Accounting and audit	14,865	7,433	-	22,298	7,433	29,731	21,844
Legal	3,744	1,872	-	5,616	1,872	7,488	16,125
Dues and subscriptions	10,495	5,235	-	15,730	5,235	20,965	10,798
Utilities	35,955	17,476	-	53,431	17,309	70,740	60,303
Equipment repairs & maint.	-	-	-	-	-	-	572
Building repairs & maint.	36,289	15,008	-	51,297	8,125	59,422	38,430
Insurance	17,931	8,471	-	26,402	9,308	35,710	11,524
Staff recruitment	-	-	-	-	395	395	375
Advertisement & marketing	11,992	27,963	-	39,955	5,146	45,101	55,226
Security	2,297	1,149	-	3,446	1,149	4,595	14,200
Training and development	10,451	5,226	-	15,677	5,226	20,903	23,284
Telephone	40,824	15,536	-	56,360	16,520	72,880	45,605
Postage	1,518	759	-	2,277	759	3,036	3,208
Printing	3,177	974	-	4,151	2,921	7,072	3,392
Space cost	2,728	1,364	-	4,092	1,964	6,056	6,526
Interest	-	-	-	-	892	892	77
Bank charges	2,023	1,110	-	3,133	1,012	4,145	1,045
Waste removal	4,323	4,323	-	8,646	1,015	9,661	8,631
Board expenses	2,637	1,318	-	3,955	1,318	5,273	13,820
Janitorial services	3,732	1,866	-	5,598	1,878	7,476	6,277
Property and other taxes	2,588	359	-	2,947	458	3,405	1,699
Acquisition of fixed assets	-	452,400	-	452,400	300,197	752,597	-
Transferred to fixed assets	-	(452,400)	-	(452,400)	(300,197)	(752,597)	-
Other	198	1,179	-	1,377	14,571	15,948	6,119
In-kind expenses	821,340	-	-	821,340	-	821,340	234,567
Total expenses before depreciation	3,223,660	803,991	67,195	4,094,846	968,632	5,063,478	3,918,308
Depreciation	28,759	14,379	-	43,138	15,697	58,835	41,753
Total Expenses	<u>\$ 3,252,419</u>	<u>818,370</u>	<u>67,195</u>	<u>4,137,984</u>	<u>984,329</u>	<u>\$ 5,122,313</u>	<u>\$ 3,960,061</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Statement of Cash Flows  
For the Year Ended February 28, 2019  
(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 1,573,603	\$ 1,406,062
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	58,835	41,753
Bad debt expense	142,585	9,855
Decrease (increase) in:		
Patient care receivables	157,433	38,763
Employee advances	(9,837)	770
Grants receivable	(184,980)	-
Increase (decrease) in:		
Accounts payable	488,197	18,179
Deferred revenue	622,878	-
Payroll taxes payable	7,065	31,584
Other payroll deductions payable	144	19,242
Salaries payable	(918,332)	5,546
Accrued annual leave	(2,339)	(7,139)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,935,252</u>	<u>1,564,615</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(752,597)	-
Proceeds from bank line of credit	-	8,300
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(752,597)</u>	<u>8,300</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Other financing activities	(36,327)	-
Principal payment on bank line of credit	(8,300)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(44,627)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	1,138,028	1,572,915
CASH, BEGINNING OF YEAR	<u>2,358,312</u>	<u>785,397</u>
CASH, END OF YEAR	<u>\$ 3,496,340</u>	<u>\$ 2,358,312</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid for the period	<u>\$ -</u>	<u>\$ 77</u>

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 1 - ABOUT THE ORGANIZATION**

Rapides Primary Health Care Center, Inc., (the "Center"), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. The Center was organized to provide efficient and effective health care through the operation of a health delivery system designed to meet the medical needs of the community i.e., early detection diagnosis, and treatment of illness and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civilly, and socially. The Center provides comprehensive primary health care to area residents, with particular care for the social-economically disadvantaged. The area served is Central Louisiana. The services are provided through an outpatient Center with a referral program, health education, and limited medical services for hospitalization.

The fiscal year of the Center is March 1 through February 28.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. *Basis of Accounting*** - The financial statements of Rapides Primary Health Care Center, Inc., are presented on the accrual basis of accounting.
- B. *Basis of Presentation*** - The Center is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and nets assets without donor restrictions. In addition, the organization is required to present a statement of functional expenses.
- C. *Cash and Cash Equivalents*** - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. *Donated Property and Equipment*** - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies donor restricted net assets to donor unrestricted net assets at that time.
- E. *Donated Services*** - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification (ASC) 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. *Functional Expense Allocation*** - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Operations and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**G. Fund Accounting** - The accounts of the Center are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

**H. Property and Equipment** - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The following estimated useful lives are generally used:

Buildings	40 years
Furniture and fixtures	5 - 20 years
Equipment	5 - 15 years
Software	3 - 5 years

Expenses for additions, major renewals, and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited as charged to operations currently.

Asset acquired with a unit cost of \$5,000 is capitalized and depreciated over their estimated useful lives.

The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.

**I. Restricted and Unrestricted Revenue and Support** - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Operations as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

**J. Employees' Annual Leave** - The Center charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned. At February 28, 2019, employees had \$19,557 in accrued vacation benefits, which are reflected in the financial statements.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**K. Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**L. Net Patient Service Revenues and Provision for Bad Debt** - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors, and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by the Center. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

**M. Reclassifications** - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**N. Classification of Net Assets** - Net Assets of Rapides Primary Health Care Center, Inc. are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:

**a) Net Assets Without Donor Restrictions** - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

**b) Net Assets With Donor Restrictions** - Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by action of the Center. Certain restrictions may need to be maintained in perpetuity.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 3 - FINANCIAL INSTRUMENTS**

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

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

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

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$3,496,340	\$3,496,340

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

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Center's cash deposits may exceed the federally insured limits and at February 28, 2019, its uninsured deposits totaled \$3,331,345. The Center has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 5 - LIQUIDITY AND AVAILABILITY**

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safety of its available funds. The Center's primary sources of liquidity are cash and cash equivalents and unexpended grant funds available for withdrawal. See Note 3 for information regarding the Center's cash and cash equivalents and Note 6 for grant balances and conditions.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing activities of family medicine, OB/GYN, dental, pharmacy, and mental health as well as the conduct of services undertaken to support those activities to be general expenditures. In-kind donations of pharmaceuticals are not included in the analysis as these pharmaceuticals are provided without cost to our patients.

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by grant funds. As a Federally Qualified Health Center, the Center receives significant grant funds from the U.S. Department of Health and Human Services with restrictions to be used in accordance with grant requirements. Refer to the statement of cash flows which identifies the sources and uses of the Center's cash.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 5 - LIQUIDITY AND AVAILABILITY (Continued)**

At February 28, 2019, the following tables show the total financial assets held by the Corporation and the amounts of those financial assets that could be made readily available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	<u>2019</u>
Cash and cash equivalents	\$ 3,494,831
Patient care receivables, net	910,409
Grants receivable	281,434
Accounts receivable, other	<u>19,002</u>
Total financial assets at year end	<u>\$ 4,705,676</u>

**NOTE 6 - GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at February 28, 2019 was \$281,434 and are due from the following funding sources at year end.

	<u>Amount</u>
U. S. Dept. of Health and Human Services	\$ 184,980
State of Louisiana Dept. of Health and Hospital	<u>96,454</u>
Total	<u>\$ 281,434</u>

**NOTE 7 - PATIENT ACCOUNTS RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at February 28, 2019:

<u>Accounts receivable</u>	<u>Amount</u>
Patients	\$ 868,508
Government	<u>1,163,332</u>
	<u>\$ 2,031,840</u>

Allowance for doubtful accounts is summarized as follows at February 28, 2019:

<u>Allowance for doubtful accounts</u>	<u>Amount</u>
Patients	<u>\$ 1,121,431</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 8 - PATIENT SERVICE REVENUE**

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at February 28, 2019.

	Amount
Patient Service Revenue	\$ 4,105,387
Less: contractual adjustments under third-party reimbursement program and discounts	(895,343)
Provision for bad debts	(90,986)
Total Contractual adjustment and bad debt	(986,329)
 Net Patient Service Revenue	 \$ 3,119,058

**NOTE 9 - FIXED ASSETS**

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

Assets	Balance at 03/01/18	Additions	Deletions	Adjustments	Balance at 2/28/19
Land	\$ 68,027	1,000	-	-	\$ 69,027
Buildings and Improvements	3,530,106	5,200	-	-	3,535,306
Furniture and Equipment	1,021,994	27,774	-	1	1,049,769
Computer software	220,247	-	-	-	220,247
Motor vehicle	92,924	74,454	-	-	167,378
Construction in progress	40,457	644,169	-	-	684,626
Total	4,973,755	752,597	-	1	5,726,353
Less: Accumulated Depreciation	(1,770,169)	(58,835)	-	-	(1,829,004)
Net Fixed Assets	\$ 3,203,586	693,762	-	1	\$ 3,897,349

Depreciation expense for the year ended February 28, 2019 totaled \$58,835.

**NOTE 10 - CORPORATE INCOME TAXES**

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

The Center has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2018, 2017, and 2016 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 11 - RETIREMENT PLAN**

The Center has a Simple IRA plan that was established on August 28, 2002. The Plan is a tax-deferred retirement plan where each employee establishes an IRA account. Both the employee and employer contributions are deposited in the account. The Center makes matching contributions up to three (3) percent of an employee's compensation. For the year ended February 28, 2019, the Center incurred \$36,401 in pension expense, which is recorded in employees benefits.

**NOTE 12 - SUMMARY OF FUNDING AND SUPPORT**

Rapides Primary Health Care Center's operations are funded through restricted grants from the U.S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U. S. Dept. of HHS	H80CS00244 (Section 330)	3/1/17 - 2/28/18	\$ 333,593
U. S. Dept. of HHS	H80CS00244D0 (Affordable Health Care Act)	3/1/17 - 2/28/18	1,993,457
U. S. Dept. of HHS	C13CS31953	9/1/18 - 2/28/19	6,584
TOTAL			<u>\$ 2,333,634</u>

**NOTE 13 - BANK LINE OF CREDIT**

Rapides Primary Health Care Center, Inc. has available an unsecured line-of-credit agreement dated June 10, 2012, which is renewable with Capital One Bank in which the Center may borrow up to \$150,000. Borrowing under the line bears an interest rate of 3.250%. As of February 28, 2019 the outstanding balance on the line-of-credit was \$-.

**NOTE 14 - COMMITMENT AND CONTINGENCIES**

**Annual Leave**

The cost of employee's unused annual leave at February 28, 2019 in the amount of \$19,557 is included in the financial statements. See Note 2.J. above.

**Other Contingencies**

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

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

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 15 - DEFERRED REVENUE**

Deferred Revenue consist of the following at February 28, 2019.

<u>Grant Program</u>	<u>Balance at 03/01/18</u>	<u>Current Year Grant Award</u>	<u>Current Year Cost Incurred</u>	<u>Balance at 02/28/19</u>
HHS Section 330 grant	\$ -	333,593	(333,593)	\$ -
Affordable Care Act	913,435	1,993,457	(2,379,468)	527,424
HHS Capital Assistance Grant	-	6,584	(6,584)	-
State of Louisiana Division of Administration (Roof Repair Grant)	<u>96,454</u>	<u>-</u>	<u>-</u>	<u>96,454</u>
Total	<u>\$ 1,009,889</u>	<u>2,333,634</u>	<u>(2,719,645)</u>	<u>\$ 623,878</u>

**NOTE 16 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS**

Approximately 40.62% of the Center's funding is provided from grants from the U.S. Department of Health and Human Services.

**NOTE 17 - SUMMARIZED 2018 FINANCIAL INFORMATION**

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended February 28, 2018 from which the summarized information was derived.

**NOTE 18 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to restate the net asset balance at February 28, 2018 follows:

	<u>Unrestricted</u>	<u>Property and Equipment</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Asset, as previously reported	\$ 2,426,946	3,203,586	1,009,889	\$ 6,640,421
Adjustment to reclassify temporarily restricted net asset as deferred revenue	<u>-</u>	<u>-</u>	<u>(1,009,889)</u>	<u>(1,009,889)</u>
Net Asset, as restated	<u>\$ 2,426,946</u>	<u>3,203,586</u>	<u>-</u>	<u>\$ 5,630,532</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to the Financial Statements  
February 28, 2019

**NOTE 19 - CHANGES IN ACCOUNTING PRINCIPLES**

*Adoption of FASB ASU No. 2016-14*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two-net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the corporation, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the corporation's year ending December 31, 2018 and thereafter must be applied on a retrospective basis. Rapides Primary Health Care Center, Inc. adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

**NOTE 20 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 28, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer  
 As of February 28, 2019

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

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ 148,210	
Incentive pay - (bonus)	<u>18,500</u>	
Total salary and incentive pay		\$ 166,710
Benefits:		
Health insurance	\$ 8,232	
Social security	7,924	
Medicare	2,149	
Retirement	<u>18,500</u>	
Total benefits		36,805
Travel:		
Conference	6,480	
Airfare and lodging	7,826	
Per diem and registration	3,432	
Travel allowance	7,200	
Telephone/data	<u>2,118</u>	
Total travel		<u>27,056</u>
Total Compensation, Benefits, Travel, and Other Expenses		<u>\$ 230,571</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended February 28, 2019

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
<i>Health Center Cluster Programs:</i>			
Bureau of Primary Health Care			
Consolidated Health Centers	93.224	H80CS00244	\$ 333,593
2018 Capital Assistance for Hurricane Affordable Care Act (ACA) Grants for New Expanded Services	93.224	C13CS31953	6,564
	93.527	H80CS00244D0	<u>2,379,468</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,719,625</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,719,625</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended February 28, 2019

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Rapides Primary Health Care Center, Inc. under programs of the federal government for the year ended February 28, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rapides Primary Health Care Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Rapides Primary Health Care Center, Inc.

**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 the 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**

Rapides Primary Health Care Center, Inc. does not use a negotiated indirect cost rate and has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

We have audited, 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, the financial statements of Rapides Primary Health Care Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of February 28, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2019.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Brown, Egg & Co.*  
Ridgeland, Mississippi  
August 28, 2019



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

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana

***Report on Compliance for Each Major Federal Program***

We have audited Rapides Primary Health Care Center, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rapides Primary Health Care Center, Inc.'s major federal programs for the year ended February 28, 2019. Rapides Primary Health Care Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

**Opinion on Each Major Federal Program**

In our opinion, Rapides Primary Health Care Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2019.

**Report on Internal Control Over Compliance**

Management of Rapides Primary Health Care Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rapides Primary Health Care Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance 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 Rapides Primary Health Care Center, Inc.'s internal control over compliance.

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

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

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

*Brown, Eg & Co.*  
Ridgeland, Mississippi  
August 28, 2019

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Auditee's Summary Schedule of Prior Audit Findings  
Year Ended February 28, 2019

Rapides Primary Health Care Center, Inc. did not have any audit findings for the year ended February 28, 2018.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.  
Schedule of Findings and Questioned Costs  
Year Ended February 28, 2019

**Section 1 - Summary of Auditor's Results**

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

Federal Awards:

- |    |   |               |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs                  | Unmodified    |
| 5. | Internal control over major programs:   |               |
|    | a. Material weaknesses identified?  | No            |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit findings reported as required by the Uniform Guidance?                          | No            |
| 7. | Federal programs identified as major programs:  |               |
|    | a. U. S. Department of Health and Human Services  |               |

Name of Program	CFDA Number
Health Center Cluster Program	
Consolidated Health Centers	93.224
Affordable Care Act (ACA)	93.527

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

**Section 2 - Finding Financial Statements Audit**

NONE

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

NONE

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.**  
**AGREED UPON PROCEDURES REPORT**  
**FOR THE YEAR ENDED FEBRUARY 28, 2019**



INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of  
Rapides Primary Health Care Center, Inc.  
Alexandria, Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Rapides Primary Health Care Center, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period March 1, 2018 through February 28, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

**Written Policies and Procedures**

1. Obtain 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) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Rapides Primary Health Care Center, Inc has a Disaster Recovery/Business Continuity policy in place for medical and non-medical data.**

**Collections (excluding EFTs)**

2. 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).

**We obtained a list of two deposit sites from management (along with management's representation that the list was complete) and we selected both deposit sites.**

3. 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:

**For each deposit site, there is one collection location. We obtained a list of two collection locations from management (along with management's representation that the list is complete) and we randomly selected both collection locations.**

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

**We obtained and inspected the Center's written policies and procedures and verified that front desk clerks responsible for collecting patient fees do not share the same cash envelope with another employee.**

- 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.

**We obtained and inspected the Center's written policies and procedures and verified that the front desk clerk (employee responsible for collecting cash) is not the same person preparing/making bank deposits (performed by the Transportation Dept.).**

- 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.

**We obtained and inspected the Center's written policies and procedures and verified that the front desk clerk (employee(s) responsible for collecting cash) is not the same person posting collection entries to the general ledger or subsidiary ledgers (performed by the Accountanting Clerk).**

- 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.

**We obtained and inspected the Center's written policies and procedures and verified that the front desk clerk (employee(s) responsible for collecting cash) is not the same employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers (performed by the CFO).**

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

**We reviewed the State Farm Bond Policy #98-EZ-4191-1. The Employee Dishonesty coverage limit is \$50,000 and the Forgery or Alteration coverage is \$10,000. The policy is effective through January 15, 2020 until cancelled and the annual premium of \$15,464.54 was paid in installments during fiscal year 2019.**

5. Randomly select two deposit dates for each of the entity's main operating account (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.

**Receipts were printed electronically from Success EHS. We haphazardly selected two deposit dates from the entity's one main operating account.**

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

**We traced the selected receipts from the "Deposit Reconciliation" report to the bank deposit slips.**

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

**We traced the deposit slip 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).

**We tested the date of receipt to the date of deposit and found that one deposit was made more than one day after the day of collection or more than one week, with having the depository less than 10 miles away or the deposit being less than \$100.**

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

**We traced the actual deposit per the bank statement to the general ledger.**

#### **Management's Response:**

We will adopt administrative control procedures to ensure that all cash receipts are deposited in a timely manner.

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

6. 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).

**Management provided a listing of only one location, being the administration office, that process payments during FY19, along with management's representation that the listing is complete.**

7. For each location selected under #6 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 obtained and inspected the Center's written policies and procedures and verified that at least two employees are involved in initiating a purchase request (Requestor), approving a purchase (CEO), and placing an order/making the purchase (Receptionist).**

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

**We obtained and inspected the Center's written policies and procedures and verified that at least two employees are involved in processing (CFO) and approving payments to vendors (CEO).**

- 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.

**Per inquiry with management, we noted the employee responsible for processing payments (CFO) can also add/modify vendor files while another employee (CEO) is responsible for periodically reviewing changes to vendors.**

- 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.  
[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]

**Per inquiry with management, we found the employee/official (CEO) responsible for signing checks gives the signed checks to an employee (Receptionist) to mail the payments, who is not responsible for processing payments.**

8. For each location selected under #7 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.

**During our review of the randomly selected 5 cash disbursement transactions, we found that the disbursements matched the related original invoice/billing statement.**

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

During our review of the randomly selected 5 cash disbursement transactions, we found that established policies and procedures were not always followed. A payment voucher/check request form is not being use to initiate the invoice payment process. This document provides doucmentation that a request for payment was initiated by an employee who is responsible for processing the invoice and identifies the individual who authorized such payment. This doucment also provides a description of such payment and the how the payment was distributed in the general ledger.

**Management's Response:**

We will adopt internal administrartive control procedures to prepare a payment voucher/check request form when ever cash disbursements are made.

**Other**

9. 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.

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

10. 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 observed that the entity had posted on its website and premises 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

*Brown, Eg & Co.*

Ridgeland, Mississippi  
August 28, 2019