

**CATAHOULA PARISH HOSPITAL  
SERVICE DISTRICT NO. 2**

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**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

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# ROZIER, HARRINGTON & MCKAY

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September 26, 2014

### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Catahoula Parish Hospital Service District No. 2

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

We have audited the accompanying financial statements of the business-type activities of the Catahoula Parish Hospital Service District No. 2, component unit of the Catahoula Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***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 opinions 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 financial statement presentation of the financial statements.

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***Catahoula Parish Hospital Service District No. 2***

***September 26, 2014***

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Catahoula Parish Hospital Service District No. 2, as of December 31, 2013, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Catahoula Parish Hospital Service District No. 2. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the primary government financial statements of the Catahoula Parish Hospital Service District No. 2.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ROZIER, HARRINGTON, & MCKAY  
Certified Public Accountants

# **Catahoula Parish Hospital Service District No. 2**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2013**

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This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2013.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. These financial statements report all revenues and expenses regardless of when cash is received or paid. Furthermore, the basic financial statements include all of the District's assets and all of the District's liabilities (including long-term debt).

### **FINANCIAL ANALYSIS OF THE DISTRICT**

This portion of management's discussion and analysis provides a comparative financial analysis.

#### **Balance Sheet**

A condensed version of the District's Balance Sheet is presented as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$ 1,766,225	\$ 970,222
Capital Assets	1,885,860	1,981,617
<b>Total Assets</b>	<b>3,652,085</b>	<b>2,951,839</b>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	864,769	459,799
Long-term Liabilities	81,322	116,302
<b>Total Liabilities</b>	<b>946,091</b>	<b>576,101</b>
<b><u>Net Position:</u></b>		
Invested in Capital Assets (Net)	1,720,874	1,893,798
Restricted	700,555	201,520
Unrestricted	284,565	280,420
<b>Total Net Position</b>	<b>\$ 2,705,994</b>	<b>\$ 2,375,738</b>

As the presentation appearing above demonstrates, the significant portion of the net position is invested in capital assets. Capital assets are used by the District to provide medical needs for their patients.

A small portion of net position is restricted for debt service and other purposes. These assets are limited to cash that is encumbered by revenue bond and grant agreements.

The remaining balance of unrestricted assets may be used to meet the District's ongoing obligations to citizens and creditors.

# **Catahoula Parish Hospital Service District No. 2**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2013**

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### **Changes in Net Position**

A condensed version of the Statement of Revenues, Expenses, and Changes in Net Position is presented as follows:

	<b>For the Year Ended</b>	
	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b><u>Revenues:</u></b>		
Program Revenues		
Charges for service	\$ 1,908,658	\$ 2,133,469
Operating Grants and Contributions	1,952,184	1,751,631
Capital Grants and Contributions	----	13,710
General Revenues	67,029	37,312
<b>Total Revenues</b>	<b>3,927,871</b>	<b>3,936,122</b>
Program Expenses	3,597,615	3,796,543
Change in Net Position	330,256	139,579
Net Position Beginning	2,375,738	2,236,159
<b>Net Position Ending</b>	<b>\$ 2,705,994</b>	<b>\$ 2,375,738</b>

The District's net position increased by \$330,256. This increase is due to an increase in the operating grant as well as the District cutting expenses.

### **CAPITAL ASSET ADMINISTRATION**

Capital asset activity for the year ended December 31, 2013, is summarized as follows:

<b><u>Additions:</u></b>	
Office Equipment	\$ 19,271
<b>Total Additions</b>	<b>19,271</b>
Depreciation	(115,028)
<b>Net Increase / Decrease</b>	<b>(95,757)</b>
<b>Beginning Capital Asset (Net)</b>	<b>1,981,617</b>
<b>Ending Capital Asset (Net)</b>	<b>\$ 1,885,860</b>

The office equipment added by the District are new computers and servers.

### **DEBT ADMINISTRATION**

Debt activity has been limited to the revenue bonds that were issued to acquire, construct, and improve health care facilities. At year end revenue bonds payable totaled \$53,637. Principal payments totaled \$34,182.

# **Catahoula Parish Hospital Service District No. 2**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013**

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### **FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS**

The factors that will effect future operations include:

- The District has been awarded a Federal School Based Health Clinic Grant in the amount of \$500,000. Construction on the clinic should be completed in the subsequent period.

## **CATAHOULA PARISH HOSPITAL DISTRICT NO 2.**

### **Balance Sheet December 31, 2013**

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 591,899
Receivables (net)	439,604
Prepaid expenses	10,989
Inventory	20,760
Assets restricted:	
Cash and cash equivalents	700,555
Total current assets	<u>1,763,807</u>
Non Current Assets:	
Non-Depreciable Assets	
Land	152,677
Depreciable capital assets, net	
	1,733,183
Other Assets	
	2,418
<b>Total assets</b>	<b><u>3,652,085</u></b>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts and other payables	120,131
Unearned Revenues	686,349
Accrued Expenses	28,745
Liabilities payable from restricted assets	
Current portion of long term debt	29,544
Total Current Liabilities	<u>864,769</u>
Long-term debt due in more than one year	
Compensated Absences	57,229
Revenue Bonds	24,093
Total Long-Term Liabilities	<u>81,322</u>
<b>Total liabilities</b>	<b><u>946,091</u></b>
<b><u>NET POSITION</u></b>	
Invested in Capital Assets (Net)	1,720,874
Restricted:	
Debt Service	90,331
School Based Health Center	500,004
Other Purposes	110,220
Unrestricted	284,565
<b>Total Net Position</b>	<b><u>2,705,994</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 3,652,085</u></b>

See accompanying notes and accountants' report

## **CATAHOULA PARISH HOSPITAL DISTRICT NO 2.**

### **Statement of Revenues, Expenses and Changes in Fund Net Position**

#### **Proprietary Funds**

**Year Ended December 31, 2013**

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
<b><u>Operating Revenues:</u></b>	
Net patient revenues pledged as security	\$ 1,908,658
<b>Total Operating Revenues</b>	<u>1,908,658</u>
<b><u>Operating Expenses:</u></b>	
Salaries	2,318,682
Payroll taxes and related benefits	398,980
Insurance	38,093
Medical supplies	142,563
Contract labor	172,184
Utilities and telephone	136,689
Depreciation	115,028
Repairs and maintenance	105,265
Rent and lease expense	32,293
Other expenses	134,162
<b>Total Operating Expenses</b>	<u>3,593,939</u>
<b>Operating Income (Loss)</b>	(1,685,281)
<b><u>Nonoperating Revenues (Expenses):</u></b>	
Grant proceeds	1,952,184
Interest revenue	3,294
Ad Valorem taxes	5,498
Other revenues	58,237
Interest expense	<u>(3,676)</u>
<b>Change in Net Position</b>	330,256
<b>Net Position - beginning</b>	<u>2,375,738</u>
<b>Total net position - ending</b>	<u>\$ 2,705,994</u>

See accompanying notes and accountants' report

## **CATAHOULA PARISH HOSPITAL DISTRICT NO 2.**

### **Statement of Cash Flows**

#### **Proprietary Funds**

**Year Ended December 31, 2013**

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<b><u>Cash flow from operating activities:</u></b>	
Cash received from patients	\$ 2,115,382
Cash payments to suppliers of goods and services	(1,249,337)
Cash payments to employees for services	(2,329,796)
Net cash provided (used) by operating activities	<u>(1,463,751)</u>
<b><u>Cash flows from non-capital financing activities:</u></b>	
Operating grants received	1,614,781
Ad Valorem taxes received	5,498
Net cash provided (used) by non-capital financing activities	<u>1,620,279</u>
<b><u>Cash flows from capital and related financing activities:</u></b>	
Acquisition of capital assets	(19,271)
Capital Grant Proceeds	500,000
Principal paid on revenue bonds	(34,182)
Interest paid on debt instruments	(3,676)
Net cash provided (used) by capital and related financing activities	<u>442,871</u>
<b><u>Cash flows from investing activities:</u></b>	
Interest and other income	61,531
Cash Received from Other Assets	9,679
Net cash provided (used) by investing activities	<u>71,210</u>
Net increase (decrease) in cash	670,609
Beginning cash balance	<u>621,845</u>
Ending cash balance	1,292,454
Restricted cash	<u>700,555</u>
Cash and cash equivalents	<u>\$ 591,899</u>
<b><u>Reconciliation of operating income (loss) to net cash</u></b>	
Operating income (loss)	\$ (1,685,281)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	115,028
(Increase) decrease in accounts receivable	206,724
(Increase) decrease in prepaid expenses	(4,394)
(Increase) decrease in inventory	-
(Decrease) increase in operating accounts payable	(84,714)
(Decrease) increase in accrued expenses	(11,854)
(Decrease) increase in compensated absences	740
Net cash provided (used) by operating activities	<u>\$ (1,463,751)</u>

#### Supplemental Disclosure of Cash Flow Information:

During the year ended December 31, 2013, there were no investing, capital, or financing activities that did not result in cash receipts or payments.

# **Catahoula Parish Hospital Service District No. 2**

## **Notes to Financial Statements**

**December 31, 2013**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization and Basis of Presentation**

The Catahoula Parish Hospital Service District No. 2 (the District) is a political subdivision of the Catahoula Parish Police Jury. The District was organized pursuant to an ordinance adopted by the Catahoula Parish Police Jury on April 5, 1976. The hospital district has a service area that includes Catahoula Parish, Concordia Parish, and parts of Franklin and Tensas Parishes. The District has three medical clinics and a dental clinic. The District is governed by a board of commissioners appointed for terms of various years by the Catahoula Parish Police Jury.

The following is a summary of the more significant accounting policies.

#### **Financial Reporting Entity**

Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the reporting entity to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the District is a component unit of the Catahoula Parish Police Jury. The accompanying component unit financial statements present information only on the fund maintained by the District and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

#### **Basis of Presentation**

The District uses an enterprise fund for financial reporting purposes. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

# **Catahoula Parish Hospital Service District No. 2**

## ***Notes to Financial Statements***

***December 31, 2013***

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The District's enterprise fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

In addition, the District's enterprise fund utilizes the accrual basis of accounting. Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations.

### **Use of Estimates**

The preparation of financial statement 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.

### **Cash and Cash Equivalents**

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

### **Statement Of Cash Flows**

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

### **Restricted Assets**

Any amounts reported as restricted assets, represent resources that must be expended in a specific manner. Restrictions of this nature can be imposed by tax propositions and various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

### **Compensated Absences**

Accumulated unpaid vacation and compensatory pay have been accrued when incurred.

### **Capital Assets**

Capital assets, which include all property and equipment, are reported as assets in the financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the District.

Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

# **Catahoula Parish Hospital Service District No. 2**

## **Notes to Financial Statements**

**December 31, 2013**

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### **Inventory**

The District maintains an inventory list that is stated at the lower of cost or market value. Materials and supplies purchased during the year are charged to expense. Inventory is adjusted to actual at year end.

### **Unearned Revenues**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before qualifying expenditures are incurred. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenues is removed and revenue is recognized.

### **NOTE 2-CASH AND CASH EQUIVALENTS**

At December 31, 2013, cash and cash equivalents were \$1,292,454, which includes restricted cash of \$700,555.

Deposits are stated at cost, which approximates market value. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the collected bank balance of the Districts deposits are:

Total Deposits	\$ 1,375,060
Federal deposit insurance	(604,554)
Uninsured Deposits	770,506
Collateralized securities held by custodial bank	(513,449)
<u>Uncollateralized Deposits</u>	<u>\$ 257,057</u>

### **NOTE 3 - AD VALOREM TAXES**

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Catahoula Parish Sheriff's Office and remitted to the District the month subsequent to collection.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended December 31, 2013, taxes of 1 mill totaling \$5,498 were levied and collected on property. The mill may be used for general corporate purposes and expires in November of 2022.

### **NOTE 4 - RECEIVABLES**

The receivables at December 31, 2013, are as follows:

<u>Accounts Receivable</u>	
Medicare	\$ 279,572
Medicaid	257,361
Other	207,459
Total accounts receivable	<u>744,392</u>

# **Catahoula Parish Hospital Service District No. 2**

## **Notes to Financial Statements**

**December 31, 2013**

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<u>Due From Other Governmental Units</u>	
Operating Grant Receivable	337,403
Ad Valorem Taxes	3,466
Total Receivables from Governmental Units	340,869
Total Receivables	1,085,261
Allowance for contractual adjustment	(645,657)
Total Receivables	\$ 439,604

The allowance is due to the District experiencing contractual adjustments from most of its revenue sources. There were no bad debts recorded for the current year.

### **NOTE 5 – CAPITAL ASSETS**

Changes in governmental and business-type capital assets are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Non Depreciable Capital Assets				
Land	\$ 152,677	\$ ----	\$ ----	\$ 152,677
Depreciable Capital Assets				
Buildings and Improvements	1,893,740	----	----	1,893,740
Medical Equipment	552,000	----	----	552,000
Office Equipment	786,148	19,271	----	805,419
Vehicles	36,778	----	----	36,778
Accumulated Depreciation	(1,439,726)	(115,028)	----	(1,554,754)
Total Depreciable Capital Assets	1,828,940	(95,757)	----	1,733,183
Total Capital Assets	\$ 1,981,617	\$ (95,757)	\$ ----	\$ 1,885,860

Depreciation expense for the year ended December 31, 2013, is \$115,028.

### **NOTE 6 – LONG-TERM LIABILITIES**

Changes in the District's long-term debt for the year ended December 31, 2013, are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Borrowings:</u>				
Revenue Bonds	\$ 87,819	\$ ----	\$ 34,182	\$ 53,637
Compensated Absences	56,489	740	----	57,229
Total Long-term Debts	\$ 144,308	\$ 740	\$ 34,182	\$ 110,866

# **Catahoula Parish Hospital Service District No. 2**

## **Notes to Financial Statements**

**December 31, 2013**

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### **Borrowing**

The District has entered into various borrowing arrangements. The borrowing arrangement and balances outstanding at December 31, 2013, are described as follows:

\$359,000 Hospital Revenue Bonds, dated December 13, 1995, with an effective rate of interest of 4.5%. The bonds are secured by real estate and a pledge of revenues. Final maturity is scheduled for May 22, 2015, unless the District elects to redeem the bonds prior to maturity.	\$	53,637
Portion due within one year		29,544
Long-term borrowing	\$	24,093

### **Maturity of Long-term Debt**

A schedule of maturities of long-term debt is presented as follows:

<b><u>Year Ended December</u></b> <b><u>31<sup>st</sup></u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2014	\$ 29,544	\$ 2,414
2015	24,093	1,084
Total Governmental	\$ 53,637	\$ 3,498

### **NOTE 7- RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 8- RETIREMENT PLAN**

The District participates in a retirement plan for its employees. This plan allows for elective deferrals for participants with an employer match.

### **NOTE 9- CONTINGENCIES**

Existing conditions that may have future financial consequences are referred to as contingencies. Contingencies existing at December 31, 2013 are described as follows:

#### **Grant Contingencies**

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

The District has received grant funds from the State of Louisiana passing through the Louisiana Primary Care Association for the renovation of a clinic and the implementation of an electronic health records system. The District submitted a list of expenses related to the grant for reimbursement. The granting agency reimbursed the District based on the total list of expenses without regard to previous reimbursements. If additional expenses cannot be demonstrated by the District, the District could be required to repay any additional funds

# **Catahoula Parish Hospital Service District No. 2**

## **Notes to Financial Statements**

**December 31, 2013**

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received. The amount of funds the District may have to repay cannot be determined at this time. However, \$111,349 has been reported as unearned revenue.

### **Potential fines and penalties**

The District has withheld retirement contributions from employees' compensation but the amounts withheld and related matching contributions have not consistently been remitted to the retirement system in a timely manner. Although the District began timely remitting retirement contributions and match; the District could incur the imposition of substantial fines and penalties due to the failure to timely fund the District's retirement plan contributions in the past.

### **Third-Party Reimbursements**

The District is reimbursed for medical services from Medicare and Medicaid. The District is liable for retroactive adjustments made by Medicare and Medicaid programs as a result of their examinations as well as retroactive changes in interpretations of applying statutes, regulations and general instructions of those programs. The amount of funds the District could incur cannot be determined at this time.

### **NOTE 10 – ACCOUNTS AND OTHER PAYABLES**

Details related to amounts reported as accounts and other payables are provided as follows:

#### **Accounts Payable**

Payable to Vendors	\$	70,655
Payroll Liabilities		47,913
Other		1,563
<b>Total Payables</b>	<b>\$</b>	<b>120,131</b>

# ROZIER, HARRINGTON & MCKAY

## CERTIFIED PUBLIC ACCOUNTANTS

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September 26, 2014

**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 Commissioners  
Catahoula Parish Hospital Service District No. 2

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 the business-type activity of the Catahoula Parish Hospital Service District No. 2 as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated September 26, 2014.

### Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider **Finding 2013-3** described in the accompanying schedule of findings and questioned costs to be a material weakness.

-Members-

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**Compliance and Other matters**

As part of obtaining reasonable assurance about whether the Catahoula Parish Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as **Findings 2013-1, 2013-2, 2013-4, 2013-5, and 2013-6.**

**District's Response to Findings**

The Catahoula Parish Hospital Service District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly we express no opinion on it.

**Other Matters**

We noted certain matters that we reported to management in a separate letter dated September 26, 2014.

**Purpose of this Report**

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



ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

# ROZIER, HARRINGTON & MCKAY

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September 26, 2014

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Catahoula Parish Hospital Service District No. 2

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

We have audited the Catahoula Parish Hospital Service District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Catahoula Parish Hospital Service District's major federal program for the year ended December 31, 2013. The Catahoula Parish Hospital Service District's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Catahoula Parish Hospital Service District'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Catahoula Parish Hospital Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 for the Catahoula Parish Hospital Service District's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the Catahoula Parish Hospital Service District 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 December 31, 2013.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

## *Catahoula Parish Hospital Service District No. 2*

*September 26, 2014*

*Page 2*

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### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as **Finding 2013-6**. Our opinion on the major federal program is not modified with respect to these matters.

The Catahoula Parish Hospital Service District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Catahoula Parish Hospital Service District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

The management of the Catahoula Parish Hospital Service District 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 the Catahoula Parish Hospital Service District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order 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 OMB Circular A-133, 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 the Catahoula Parish Hospital Service District'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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



ROZIER, HARRINGTON & McKAY  
Certified Public Accountants

# **Catahoula Parish Hospital Service District No. 2**

## **Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2013**

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### **PART I – SUMMARY OF AUDITORS' RESULTS:**

- The Independent Auditor's Report on the financial statements for the Catahoula Parish Hospital Service District No. 2 as of December 31, 2013, and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed five instances of noncompliance (2013-1, 2013-2, 2013-4, 2013-5, and 2013-6) that are considered to be material to the financial statements of the Catahoula Parish Hospital Service District No. 2.
- The Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 expressed an unqualified opinion on compliance requirements for the major program described below.
- The audit disclosed one audit finding (2013-3) which is required to be reported as a material weakness in internal control over financial reporting.
- Major programs for the year ended December 31, 2013 are presented as follows:

**UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**CFDA No. 93.224 – Community Health Centers**

- A threshold of \$300,000 was used for distinguishing between Type A and Type B programs for purposes of identifying major programs.
- The Catahoula Parish Hospital Service District No. 2 was not considered to be a low risk auditee as defined by OMB Circular A-133.

### **PART II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

#### **Finding 2013-1 – Timely Filing of the Audit:**

During the current year, the District's Chief Executive Officer was very ill. In addition, after 34 years of service the Chief Operating Officer retired. Further in April, 2014 the District converted to a new billing system. Due to these issues the District was required to extend the current year audit.

The new billing system required management to learn new reports required for the annual audit. Due to a lack of understanding of these new reports and how these reports related to the financial statements, at the time audit procedures commenced, there were several accounts that were not properly reconciled to the source documents. Once these items were discovered it took several months to resolve the issues. In the future to ensure that the audit is timely filed we suggest the following:

1. Maintain a plan of succession for the chief officers of the District. This will allow for the continuity of functions within the District management upon a lengthy illness or retirement of an officer.
2. When software conversions are required it is important to understand the software and the reports necessary to maintain complete and accurate financial statements. Further, financial

# **Catahoula Parish Hospital Service District No. 2**

## **Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2013**

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statements should be prepared on a timely basis and accounts reconciled to the source documents in a manner that any issues are caught and resolved quickly.

### **Finding 2013-2 Retirement Plan Contributions:**

Through the first half of the current year, retirement plan contributions were still late. However, during the latter portion of the current year, the retirement plan contributions were remitted timely.

### **Finding 2013-3 Misuse of gas card:**

During the subsequent period, the District was notified by the Catahoula Parish Sheriff's Office of unauthorized fuel purchases on the District's gas card. Management has reviewed gas purchases for the period of 2012 through 2014 and determined there are \$9,719 of fuel charges with no supporting documentation. The misuse of the gas card suggests a weakness in the District's procedures regarding proper documentation of credit card charges. We suggest management and the Board of Directors perform the following tasks:

1. Adopt procedures to ensure that every credit card receipt is turned into the accounts payable clerk daily. Also, adopt procedures requiring the accounts payable clerk to reconcile each charge on the credit card bill to the credit card receipts and inquire why some receipts were not received.
2. Turn this matter over to the local District Attorney.
3. Conduct an evaluation of the employees who are responsible for the gas cards and determine what disciplinary actions should be taken.

### **Finding 2013-4 – Grant Activity:**

The District received a State grant for the renovation of a local clinic and the implementation of electronic health records. This grant period ended December 31, 2012 and the District had until December 31, 2013 to submit all information related to the grant. During the prior year we determined that:

- Management had not remitted the required reports to the grantor agency.
- The District remitted estimated expenses and duplicate expenses for reimbursement from the grantor agency. This action resulted in the District being over reimbursed from the grantor agency.

The reports required to finalize this grant have not been submitted to the grantor agency. The filing of these reports is required and is necessary in order for the State of Louisiana and the District to determine how much the State must be reimbursed. The required reports should be filed immediately in order to resolve this issue.

### **Finding 2013-5 – Uncollateralized Deposits:**

During the latter portion of the current year, \$500,000 of grant funds were drawn from the Federal Payment Management System. This matter is discussed further in Finding 2013-6. These funds were deposited to a separate account in a local bank. Due to the size of this deposit, at December 31, 2013 the cash on deposit at this local bank exceeded the limits of FDIC Insurance and the pledged securities by \$257,057. The District is required to maintain FDIC Insurance and pledged securities sufficient to cover all deposits. Management should notify the bank of significant deposits and ensure that pledged securities are adequate.

**Catahoula Parish Hospital Service District No. 2**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2013**

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**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:**

**Finding 2013-6 – School Based Health Center Grant:**

The District has been awarded funds to build a school based health center at a local elementary school. Based on a review of the grant requires and specifies:

1. From 30 to 180 days of the grant being awarded the District is required to submit various reports and documents. We have been unable to determine if these grant requirements have been met.
2. Grant funds can only be drawn down from the Federal Payment Management System as costs are incurred. During the latter portion of the current year, the total grant award of \$500,000 was withdrawn without construction on the school based health clinic commencing.

In order to ensure compliance with grant requirements we suggest that management maintain each grant in a single location. All documentation related to a particular grant should be filed together and easily accessible for review by independent auditors or the federal agency. In addition, we suggest that management review the cash management compliance requirements in the Office of Management and Budget Circular A-133. These requirements state that procedures be established to minimize the time elapsing between drawdown of grant funds and disbursements.

# **Catahoula Parish Hospital Service District No. 2**

## **Managements Corrective Action Plan**

**For the Year Ended December 31, 2013**

### **SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

#### **2013-1 – Timely Filing of the Audit**

As discussed more fully in the Schedule of Findings and Questioned Costs, the District was required to extend the audit. The lack of timeliness of the audit was due to illness of the Chief Executive Officer, the retirement of the Chief Operating Officer, and the conversion to a new billing system. In the future, to mitigate the chances of the audit being extended we suggest:

- The Board of Directors adopt a plan of succession for the chief officers.
- Management understand the reports generated by new software systems and reconcile financial statements monthly to source documents.

#### **2013-2 – Retirement Plan Contributions**

Through the first half of the current year, retirement plan contributions were still late. However, during the latter portion of the current year, the retirement plan contributions were remitted timely.

#### **2013-3 – Misuse of gas card**

As discussed more fully in the Schedule of Findings and Questioned Costs, there were apparent unauthorized purchases on the District's gas card. The misuse of the fuel card suggests a weakness in the Districts procedures regarding proper documentation of credit card purchases. We suggest management and the Board of Directors perform the following tasks:

1. Adopt procedures to ensure that all credit card receipts are turned in and reconciled to the monthly credit card bill.
2. Turn this matter over to the District Attorney.
3. Consider what disciplinary actions should be taken for the employee who conducted the unauthorized purchases.

#### **2013-4 – Grant Activity**

The District received a State grant for the renovation of a local clinic and the implementation of electronic health records. This grant period ended December 31,

#### **Response**

This was an exceptionally difficult year for the District with the illnesses of the Chief Executive Officer, the retirement of the Chief Operating Officer, and the conversion to new software. We have resolved these issues by hiring a new Chief Operating Officer and more fully understanding the new billing system. Furthermore, we have developed new procedures to ensure that the financial statements agree to the source documents and are providing the Board of Directors with financial statements each month.

#### **Response**

During the latter porting of the current year we began remitting retirement plan contributions timely.

#### **Response**

Management and the Board of Directors have resolved the issues related to the unauthorized use of the fuel credit card. These actions were:

1. The Chief Executive Officer has written a letter to the District Attorney regarding the unauthorized fuel purchases.
2. The employee who made the unauthorized purchases has been terminated.
3. Each credit card receipt is required to be turned into the accounts payable clerk and a proper reconciliation is performed each month to the credit card bill.

#### **Response**

We are in the process of finalizing all of the required monthly reports for grant compliance.



# **Catahoula Parish Hospital Service District No. 2**

## **Managements Corrective Action Plan**

**For the Year Ended December 31, 2013**

2. Grant funds can only be drawn down from the Federal Payment Management System as costs are incurred. During the latter portion of the current year, the total grant award of \$500,000 was withdrawn without construction on the school based health clinic commencing.

In order to ensure compliance with grant requirements we suggest that management maintain each grant in a single location. All documentation related to a particular grant should be filed together and easily accessible for review by independent auditors or the federal agency. In addition, we suggest that management review the cash management compliance requirements in the Office of Management and Budget Circular A-133. These requirements state that procedures be established to minimize the time elapsing between drawdown of grant funds and disbursements.

### **SECTION III – MANAGEMENT LETTER**

#### **ML-2013-1 – Cost Reports**

Management has not filed the 2013 Medicare cost reports. Medicare cost reports are due May 31, each year. The preparation and filing of cost reports is important to the District to determine if additional funds may be received from Medicare. In addition, late filing of cost reports can result in penalties from Medicare and the cut off of Medicare funds completely.

#### **ML-2013-2 – Payroll Administration**

Employees have expressed concern that pay increases approved by the Board of Directors were not implemented timely. Employees have also expressed concerns due to not receiving their pay check stubs for several months.

Management and members of the Board of Directors state that pay raises were approved as part of adopting the 2014 budget. Therefore these pay raises should have taken effect at the beginning of the 2014 fiscal

#### **Response**

The filing of the cost reports were interrupted this year due to the new billing software package, the lengthy illness of the Chief Financial Officer, and the retirement of the Chief Operating Officer. We intend to file the cost report timely in the future. We have hired a new Chief Financial Officer and have resolved the issues with our new billing software.

#### **Response**

There was a miscommunication between the Chief Executive Officer and the Chief Financial Officer as to whether the employees were to receive evaluations prior to receiving the pay increase. Due to this uncertainty we did not implement the raises timely.

We are changing our policies for handing out employee pay check stubs. The Chief Operating Officer is currently handing out each stub to the employees.

**Catahoula Parish Hospital Service District No. 2**  
**Managements Corrective Action Plan**  
**For the Year Ended December 31, 2013**

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<p>year. However, based on the information provided by management some employees did not receive their raises until September, 2014.</p> <p>In the future pay increases should take effect on the date approved by the Board of Directors. In addition, we suggest that management contact their labor attorney to determine if these pay raises should be granted to the employees retroactively to the date approve by the Board. Finally, all employees should receive pay stubs in a timely manner.</p>	
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# **Catahoula Parish Hospital Service District No. 2**

## **Schedule of Prior Year Findings and Questioned Costs**

**For the Year Ended December 31, 2013**

### **SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

#### **2012-1 – District losses**

The District has engaged in long-term borrowing by issuing revenue bonds. Under the terms of its agreement with bondholders the District is required to collect fees that are sufficient to pay the following:

- Reasonable and necessary expenses of operation and maintenance
- Principal and interest maturing on bonds
- Contributions to sinking funds, reserve accounts, and other accounts established by the bond agreement.

For the year ended December 31, 2012, the District reported a profit; however, the profit was attributable to one time grants that will not be available to meet future obligations. Accordingly, the District should revise fee schedules in a manner that will allow the district to operate profitably without depending on non-recurring grant revenue.

#### **2012-2 – Retirement Plan Contributions**

It has come to our attention that the District is not remitting retirement plan obligations timely. The District has an obligation to remit retirement contributions within a specified period of time. As part of our analysis of the retirement plan contributions it was determined that employee withholdings and corresponding match by the District were remitted well after the deferrals were withheld from the employee. Failure to timely remit employee deferrals and District match could result in substantial fines and penalties from the Employee Retirement Income Security Act.

#### **2012-3 - Paying Sales Taxes**

During our procedures we noted several instances of the District paying State and local sales taxes on items purchased. Due to the District being a governmental unit, the payment of sales taxes is not required.

#### **2012-4 – Grant Activity**

The District has received a State grant for the renovation of a local clinic and the implementation of

#### **Resolved**

During the current year the District cut costs and demonstrated that sufficient revenues could be collected to pay expenses, pay the principal and interest on the bonds, and make the required contributions to the sinking fund and other accounts established by the bond agreement.

#### **Unresolved:**

See Finding 2013-2

#### **Resolved**

The District ceased remitting sales taxes to its vendors.

#### **Unresolved**

See Finding 2013-4

# ***Catahoula Parish Hospital Service District No. 2***

## ***Schedule of Prior Year Findings and Questioned Costs***

***For the Year Ended December 31, 2013***

<p>electronic health records. During our procedures we noted the following:</p> <ul style="list-style-type: none"> <li>• Management has not been remitting the required monthly reports to the grantor agency as required.</li> <li>• The District remitted estimated expenses and duplicate expenses for reimbursement from the grantor agency. This action resulted in the District being over reimbursed under the grant. The District is currently reviewing their records and will be in contact with the grantor agency to repay any funds if necessary.</li> </ul>	
<p><b>SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b></p>	
<p>No findings were reported in the schedule of findings and questioned costs.</p>	<p>Response – N/A.</p>
<p><b>SECTION III – MANAGEMENT LETTER</b></p>	
<p>ML-2012-1 – Cost Reports</p> <ol style="list-style-type: none"> <li>1. 2012 Cost Report - Management has not filed the 2012 Medicare cost reports. Medicare cost reports are due May 31, each year. The preparation and filing of cost reports is important to the District to determine if additional funds may be received from Medicare. In addition, late filing of cost reports can result in penalties from Medicare and the cut off of Medicare funds completely.</li> <li>2. 2011 Cost Report – It has come to our attention that management received notices from Medicare regarding the 2011 cost reports and did not respond timely. According to the letters received management had a very short window to respond to the letters before any adjustments were final. It is important that any letters from Medicare be followed up on timely. Timely response could ensure the District does not lose potential refund claims.</li> </ol>	<p><b><u>Unresolved</u></b> See ML-2013-1</p> <p><b><u>Resolved</u></b> The letters received on the 2011 cost reports were ultimately the final determination and there were no refunds issued on the 2011 cost reports.</p>

**CATAHOULA PARISH HOSPITAL**  
**SERVICE DISTRICT NO. 2**

**Schedule of Expenditure of Federal Financial Awards  
For the year ended December 31, 2013**

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<u>FEDERAL GRANTOR / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES Direct Program - Community Health Center	93.224	\$ <u>1,952,184</u>
Total Expenditure of Federal Awards		\$ <u>1,952,184</u>

**Note**

The schedule of expenditures of federal awards was prepared in conformity with generally accepted accounting principles for Governmental Units. See notes to the accompanying financial statements for further details.

# ROZIER, HARRINGTON & MCKAY

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**GEORGETTE VERCHER, CPA**

September 26, 2014

Catahoula Parish Hospital Service District No. 2

In planning and performing our audit of the financial statements of the Catahoula Parish Hospital Service District No. 2 for the year ended December 31, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are provided as follows:

### **ML-2013-1 – Cost Reports**

Management has not filed the 2013 Medicare cost report which was due May 31, 2014. The preparation and filing of the cost report is mandatory by Medicare. In addition, failure to file the cost report can result in penalties from Medicare, a reduction of Medicare funds, or the temporary complete removal of Medicare funding until the report is filed. Furthermore, the filing of cost reports can result in the receipt of additional funds from Medicare. Management must file these reports timely to mitigate penalties, the loss of Medicare funding, and for the potential to receive additional funds.

### **ML-2013-2 – Payroll Administration**

Employees have expressed concern that pay raises approved by the Board of Directors were not implemented timely. Further, employees are also concerned due to not receiving a pay check stub for several months. Employees should receive pay increases for the pay period approved by the Board. Furthermore, employees should be receiving their pay check stubs immediately after each pay period. Both the pay raises and giving employees their pay stubs are important in the proper administration of the Districts payroll. Management should implement new policies to ensure that such payroll issues are properly administered.

We will be available at your convenience to discuss our comments and suggestions in greater detail. Our firm will also be available to assist in implementing these recommendations.



ROZIER, HARRINGTON & MCKAY,  
Certified Public Accountants

-Members-

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