Health Education Authority of Louisiana

Financial Statements

June 30, 2018

Health Education Authority of Louisiana
Table of Contents

Pinell & Martinez LLC
Certified Public Accountants

308 South Tyler Street, Suite 2
Covington, Louisiana 70433
info@pinmarcpa.com
pinmarcpa.com
985-327-7311

Independent Auditor's Report

To the Board of Commissioners
Health Education Authority of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Health Education Authority of Louisiana ("HEAL"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise HEAL'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 HEAL'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 HEAL'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 opinions.

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 HEAL, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, in 2018 the Health Education Authority of Louisiana adopted new accounting guidance, GASB No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No.* 27 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This has resulted in a restatement of beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of employer's proportionate share of net pension liability at page 24; schedule of employer's pension contributions at page 25; and schedule of employer's proportionate share of the total collective OPEB liability at page 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an 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 any assurance.

To the Board of Commissioners
Health Education Authority of Louisiana
Baton Rouge, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of HEAL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HEAL's internal control over financial reporting and compliance.

Pinell & Martinez, llc

Covington, Louisiana
November 19, 2019

Financial Statements

Health Education Authority of Louisiana
Statement of Net Position
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$	348,879
Certificates of deposit		1,364,636
Accounts receivable		14,508
		1,728,023
Noncurrent Assets		
Capital assets, net		1,053
		1,729,076
Deferred Outflows of Resources		
Deferred outflows related to pension plan		73,482
	$	1,802,558

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accounts payable	$	458,469
Accrued payroll and benefits		2,672
		461,141
Noncurrent Liabilities		
Accrued compensated absences		10,653
Net pension liability		629,553
Other post-employment benefits obligation		220,120
		860,326
		1,321,467
Deferred Inflows of Resources		
Deferred inflows related to pension plan		51,074
Deferred inflows related to post-employment benefits plan		17,257
		68,331
Net Position		
Net investment in capital assets		1,053
Unrestricted		411,707
		412,760
	$	1,802,558

See accompanying notes to financial statements.

Health Education Authority of Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Revenues		
Parking garage rental fees	$	257,419
Expenses		
Salaries and related taxes		145,875
Employee benefits		37,216
Legal and professional services		71,009
Management fees		400,000
Office supplies		1,897
Office expenses		4,490
Equipment lease		6,784
Depreciation		1,483
Dues and subscriptions		535
Travel		655
		669,944
Operating loss		(412,525)
Other Revenue		
Interest income		17,305
Change in net position		(395,220)
Net position, beginning of year, as restated (*see note 2*)		807,980
Net position, end of year	$	412,760

See accompanying notes to financial statements.

Health Education Authority of Louisiana
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows From Operating Activities		
Receipts:		
Cash received from customers	$	256,940
Disbursements:		
Payments to suppliers for goods and services		(136,169)
Payments to employees for services		(215,177)
Net cash used in operating activities		(94,406)
Cash Flows From Investing Activities		
Proceeds from maturities of certificates of deposit		196,439
Interest income		17,305
Net cash provided by investing activities		213,744
Net change in cash and cash equivalents		119,338
Cash and cash equivalents, beginning balance		229,541
Cash and cash equivalents, ending balance	$	348,879

Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$	(412,525)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		1,483
Change in:		
Receivables		(479)
Deferred outflows of resources - pensions		77,405
Accounts payable		357,736
Accrued expenses		(8,535)
Accrued compensated absences		(11,298)
Pension liability		(66,925)
Other post-employment benefits obligation		(9,680)
Deferred inflows of resources - pensions		(38,845)
Deferred inflows of resources - OPEB		17,257
Net cash used in operating activities	$	(94,406)

See accompanying notes to financial statements.

1. History and Summary of Significant Accounting Policies

Nature of Operations

The Health Education Authority of Louisiana ("HEAL") was created in 1968 in an effort to develop the medical corridor within a 10-mile radius of the Medical Center of Louisiana at New Orleans (MCLNO), formerly Charity Hospital. HEAL is a corporate and public body and an instrumentality of the State of Louisiana exercising public and essential governmental functions. It was created by Act 112 of the 1968 Regular Session of the Legislature and operates under said Act, as amended, which now appears as Louisiana Revised Statutes (R.S.) 17:3051-3060. HEAL is governed by a Board of Trustees consisting of the governor as ex officio trustee and 13 members selected pursuant to the requirements for membership contained in Act 112.

HEAL's primary mission is to plan, acquire, and/or construct facilities within a 10-mile radius of the MCLNO and provide for financing, usually through revenue bonds, of such projects. HEAL may incur debt and issue bonds for the LSU Health Sciences Center in Shreveport, Louisiana. HEAL is also responsible for the operation of a parking garage located in New Orleans, Louisiana.

HEAL is a party to a multi-party lease operating agreement with the State of Louisiana, APCOA LaSalle Parking Company, LLC, and Tulane Educational Fund that resulted in the construction and operation of a parking garage located at 300 LaSalle Street, New Orleans, Louisiana. The garage construction was funded by bonds issued by HEAL and financed by net revenues derived from the operations of the parking garage. These financial statements do not include financial transactions, assets, or obligations related to the bonds issued by HEAL for the construction and operations of the parking garage. The accompanying financial statements present information only related to the operating activities of HEAL arising from the fees received from the parking garage operations and HEAL's operating expenses.

During the 2016 Regular Legislative Session, HEAL's enabling legislation was amended by Act 577 (Act), which became effective August 1, 2016. Per the Act, HEAL was transferred from the Louisiana Department of Health (LDH) to the Department of Education and placed under the Board of Regents to operate under its own authority. As a result, the employees who carry out the functions of HEAL ceased being employees of LDH and are employees of HEAL beginning the 2017 fiscal year. Act 577 also expanded HEAL's primary service area from a 10-mile radius in New Orleans and Shreveport to include communities where graduate medical education is offered, changes the composition of HEAL's board of trustees, and expands HEAL's bonding authority from $400 million to $800 million dollars.

Basis of Presentation

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

Reporting Entity
GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. HEAL is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints a majority of the board members, and HEAL primarily serves state residents. The accompanying financial statements present only the activity of HEAL. Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The financial statements are audited by the Louisiana Legislative Auditor.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
For financial reporting purposes, HEAL is considered a special-purpose government engaged only in business-type activities. All activities of HEAL are accounted for within a single proprietary (enterprise) fund.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of HEAL are accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Under the full accrual basis, revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with HEAL’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of HEAL consist of revenues derived from parking garage operations. Operating expenses include administrative expenses.

Net Position
The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted - All other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is HEAL’s policy to use restricted resources first, then unrestricted as needed.

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

Cash and Cash Equivalents
For the purpose of the statement of net position and statement of cash flows, cash and cash equivalents include all demand accounts of HEAL with an original maturity of 90 days or less.

Capital Assets
Capital assets with a cost of $500 or more are reported at cost in the statement of net position. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life as follows:

Office furniture and equipment	5 years

Accounts Receivable
Accounts receivable consist of the amount due from a former employee for the overpayment of accrued compensated absences when separated from HEAL. Management has deemed the account collectible at year-end and no allowance has been recorded.

Compensated Absences
Employees of HEAL, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years of service. There is no limit on the amount of annual or sick leave that can be accumulated. HEAL is legally liable to compensate an employee upon retirement or termination for up to 300 hours of unused annual leave. Upon retirement, the number of hours of unused annual leave in excess of 300 hours plus the number of hours of unused sick leave is computed into years or fraction of years and is added to the number of years of service earned by the retiree. The unused annual and sick leave is counted towards the number of years serviced only for computing the rate of retirement pay due to the retiree and does not count toward the number of years necessary for retirement. The liability for unused annual leave payable at June 30, 2018 is $10,653.

The cost of leave privileges is recognized as an expense and a liability in the financial statements in the period in which the leave is earned. The compensated absences liability is reported as a long-term liability with the portion expected to be paid within one year reported as a current liability and an expense allocated on a functional basis.

Post-Employment Health Care and Life Insurance Benefits
HEAL provides certain continuing health care and life insurance benefits for its retired employees. HEAL recognizes the expense of providing these retiree benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Pension Plan
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System ("LASERS") and additions to/deductions from the LASERS' fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This balance represents a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenses) until then. HEAL has the following items that qualify for reporting in this category:

Pension plan – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and changes in assumptions, differences in projected and actual earnings on pension assets, and changes in proportion and differences between employer contributions and proportionate share of contributions (deferred and amortized over a closed five year period).

OPEB plan – these deferred outflows result from OPEB contributions after the measurement date (deferred and recognized in the following fiscal year).

Deferred Inflows of Resources
Deferred inflows of resources are acquisitions of net position by HEAL that is applicable to a future reporting period and so will not be recognized as an inflow of resources until then. HEAL has the following items that qualify for reporting in this category:

Pension plan – these deferred inflows result from differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions (deferred and amortized over a closed five year period).

OPEB plan – these deferred inflows result from changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions (deferred and amortized over a closed five year period).

2. Cumulative Effect of Changes in Accounting Principle

Management adopted the provisions of the Governmental Accounting Standards Board Statement No.68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* ("GASB 68") during the 2018 fiscal year. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

Management also adopted the provisions of the Governmental Accounting Standards Board Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") during the 2018 fiscal year.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

As a result of the implementation of GASB 68 and GASB 75, the beginning net position was restated as follows:

Net position at June 30, 2017, as previously reported	$ 1,673,290
Prior period adjustment - adoption of GASB No. 68	(635,510)
Prior period adjustment - adoption of GASB No. 75	(229,800)
Net position at June 30, 2017, as restated	$ 807,980

3. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions include demand deposits and certificates of deposit. Under state law, HEAL may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, HEAL may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts or federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. 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.

HEAL's cash deposits at June 30, 2018 consisted of the following:

	Cash	Certificates of Deposit	Total
Deposits per Statement of Net position (reconciled bank balance)	$ 348,879	$ 1,364,636	$ 1,713,515
Deposits in bank accounts per bank	$ 348,921	$ 1,364,636	$ 1,713,557
Category 3 bank balances:			
a. Uninsured and uncollateralized	$ -	$ -	$ -
b. Uninsured and collateralized with securities held by the pledging institution	-	-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in HEAL's name	98,921	1,364,636	1,463,557
Total category 3 bank balances	$ 98,921	$ 1,364,636	$ 1,463,557

Custodial Deposit Risk
In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned to HEAL. As of June 30, 2018, $1,463,557 of HEAL's deposits were collateralized with securities held by the pledging institution's trust department or agent but not in HEAL's name.
Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. HEAL does not have policies to limit concentration of credit risk.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of HEAL's certificates of deposit. Louisiana Revised Statute 49:327(C)(4) limits the maturity of investments in certificates of deposits to no more than 12 months after the date of their purchase. HEAL's certificates of deposit have stated maturities of over one year. However, per bank policy for public depositors, those certificates of deposit are redeemable anytime, outside of the initial seven day investment period, with no penalty and pay accrued interest up to the redemption date.

4. Capital Assets

The following is a summary of changes in capital assets:

	Balance 06/30/17	Additions	Disposals	Balance 06/30/18
Office furniture and equipment	$ 13,366	$ -	$ -	$ 13,366
Accumulated depreciation	(10,830)	(1,483)	-	(12,313)
	$ 2,536	$ (1,483)	$ -	$ 1,053

5. Noncurrent Liabilities

The following is a summary of changes in long-term liabilities:

	Balance at 06/30/17	Additions	Payments and Reductions	Balance at 06/30/18
Compensated absences	$ 21,951	$ -	$ (11,298)	$ 10,653
Pension liability	696,478	629,553	-	1,326,031
Postemployment benefits liability	229,800	-	(9,680)	220,120
	$ 948,229	$ 629,553	$ (20,978)	$ 1,556,804

6. Lease Revenues

HEAL entered into a lease agreement with APCOA LaSalle Parking Company, LLC to manage and operate a parking garage owned by the State of Louisiana through December 31, 2030. The lease agreement is considered to be a capital lease, and accordingly, the parking facility is reflected on the financial records of the management company.

HEAL receives minimum lease payments in connection with the lease. This lease payment increases by 3% each year. In addition, HEAL receives percentage rent payments under the lease agreement based upon an agreed-upon formula. The organization did not receive a percentage rent payment for the year ended June 30, 2018. For the year ended June 30, 2018, HEAL received $255,365 in fees from APCOA LaSalle Parking Company, LLC. The minimum required lease revenues for future years is as follows:

For the Year Ended June 30	Amount
2019	$ 263,026
2020	270,917
2021	279,044
2022	287,415
2022	296,038
Thereafter	3,097,705
	$ 4,494,145

HEAL has a servitude agreement with the Tulane Education Fund (Tulane), which guarantees parking contracts for Tulane affiliates. Under the contract, Tulane has agreed to service the payments of the debt obligation throughout the life of the bond in exchange for use of the facility. Payments in excess of debt service obligations are returned to HEAL annually. For the year ended June 30, 2018, HEAL received $14,029 pursuant to this contract.

7. Conduit Debt Obligations

In 1998, HEAL entered into an agreement with the Board of Administrators of the Tulane Educational Fund (Tulane University of Louisiana) to issue $9,350,000 in bonds for the extension of and improvements to HEAL's existing parking garage, and the addition of a sky bridge to connect to the Tulane Medical School. In July 2015, HEAL issued $6,645,000 of Series 2015 Revenue Refunding Bonds. The purpose of the issue was for advance refunding of the prior bonds and paying the costs of issuance of the bonds. The bonds are secured by the building's improvements, and are payable solely from income and revenues derived from Tulane.

The bonds shall never constitute an indebtedness or pledge of the general credit of HEAL or the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness or otherwise. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Upon repayment of the bonds, ownership of the acquired improvements transfers to HEAL.

The annual requirements to amortize the bonds outstanding at June 30, 2018, are as follows:

For the Year Ended June 30	Principal	Interest	Total
2019	$ 370,000	$ 252,538	$ 622,538
2020	385,000	235,739	620,739
2021	405,000	218,161	623,161
2022	415,000	201,168	616,168
2023	425,000	181,226	606,226
Thereafter	3,860,000	715,781	4,575,781
	$ 5,860,000	$ 1,804,613	$ 7,664,613

8. Pension Plan

HEAL is a participating employer in a statewide, public employee retirement system, the Louisiana State Employees' Retirement System ("LASERS"). LASERS has a separate board of trustees and administers a cost-sharing, multiple-employer defined benefit pension plan, including classes of employees with different benefits and contribution rates ("subplans"). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by LASERS to the State Legislature. LASERS issues a public report that includes financial statements and required supplementary information, and a copy of the report may be obtained at www.lasersonline.org.

Plan Descriptions/Benefits Provided
LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. The age and years of creditable service ("service") required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer and job classification. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new subplans for regular members, hazardous duty members, and judges.

The substantial majority of members may retire with full benefits at any age upon completing 30 years of service and at age 60 upon completing 5-10 years of service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed after that date. A member leaving service before attaining minimum retirement but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who has a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

LASERS has established a Deferred Retirement Option Plan (DROP). When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Cost of Living Adjustments
As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Contributions
Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Employer contributions to LASERS for the fiscal year ended June 30, 2018 were $560,827, with active member contributions ranging from 7.5% to 8%, and employer contributions of 39.7%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, HEAL reported a liability of $629,553 for its proportionate share of the LASERS net pension liability. The net pension liability for LASERS was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. HEAL's proportion of the net pension liability was based on projections of HEAL's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2017, the most recent measurement date, HEAL's proportion and was 0.00894%, unchanged from the prior measurement date.

For the year ended June 30, 2018, HEAL recognized a total pension expense of $20,044. HEAL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,552
Changes in assumptions	2,487	-
Net difference between projected and actual earnings on OPEB plan investments	20,472	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,451	39,522
Employer contributions subsequent to the measurement date	47,072	-
	$ 73,482	$ 51,074

Deferred outflows of resources related to pensions resulting from HEAL's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS net pension liability in the next fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Period Ended:	Amount
6/30/2019	$ (41,428)
6/30/2020	21,246
6/30/2021	8,192
6/30/2022	(12,674)
	$ (24,664)

Actuarial Assumptions

The total pension liability for LASERS in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal cost
Estimated remaining service life ("ERSL")	3 years
Investment rate of return	7.70% per annum
Inflation rate	2.75%
Salary increases, including inflation and merit increases	3.8% to 12.8%, including inflation
Cost of living adjustments	Not substantively automatic
Mortality rate	
Non-disabled members	Mortality rates based on the RP-2000 Combined Healthy Mortality Table
Disabled members	Mortality rates based on the RP-2000 Disabled Retiree Mortality Table
Termination, disability, and retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Rate of Return
Cash	-0.24%
Domestic equity	4.31%
International equity	5.35%
Domestic fixed income	1.73%
International fixed income	2.49%
Alternative investments	7.41%
Global tactical asset allocation	2.84%
Total fund	5.26%

Discount Rate
The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents HEAL's proportionate share of the net pension liability using the current discount rate as well as what HEAL's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Employer's proportionate share of the net pension liability	$ 790,332	$ 629,553	$ 492,852

Pension Plan Fiduciary Net Position
Detailed information about LASERS fiduciary net position is available in the separately issued financial reports referenced above.

Payables to the Pension Plan
At June 30, 2018, HEAL reported no payables to the pension plan.

9. Post-Employment Health Care and Life Insurance Benefits

Plan Description
The Office of Group Benefits ("OGB") administers the State of Louisiana's post-retirement benefits plan – a defined benefit, multiple-employer other postemployment benefit plan ("OPEB"). OPEB provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan , while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System,) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. Effective July 1, 2008, an OPEB trust fund was statutorily established; however, this plan is not administered as a trust and no plan assets have been accumulated as of June 30, 2018. The plan is funded on a "pay-as-you-go basis" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Retired employees who have Medicare Part A and Part B coverage also have access to four fully insured Medicare Advantage plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

Service	Employer Percentage	Employee Percentage
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2018, HEAL reported a liability of $220,120 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. HEAL's proportionate share of the restated total collective OPEB liability at June 30, 2017, totaling $229,800, was determined using a roll back of the same valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no experience gains or losses.

HEAL's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. At June 30, 2018, HEAL's proportion was 0.0025%. Because the beginning balance was restated using a rollback of the July 1, 2017 valuation assuming no experience gains or losses, there is no change to the proportion since the prior measurement date.

The total collective OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial methods, assumptions, and other inputs applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method – entry age normal, level percentage of pay
- Estimated remaining service lives – 4.48
- Inflation rate – Consumer Price Index (CPI) 2.8%
- Salary increase rate – consistent with the State of Louisiana's pension plan
- Discount rate – 3.13% based on June 30, 2017 Standard & Poor's 20-year municipal bond index rate
- Mortality rates – based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.
- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by 0.25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by 0.25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers the Consumer Price Index, gross domestic product, and technology growth.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

Sensitivity of the Proportionate Share of the Total Collective OPEB Liability to Changes in the Discount Rate
The following presents HEAL's proportionate share of the total collective OPEB liability using the current discount rate as well as what HEAL's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease (2.13%)	Current Discount Rate (3.13%)	1.0% Increase (4.13%)
Employer's total OPEB liability	$ 258,465	$ 220,120	$ 189,870

Sensitivity of the Proportionate Share of the Total Collective OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents HEAL's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what HEAL's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease (6.00%)	Current Cost Trend Rate (7.00%)	1.0% Increase (8.00%)
Proportionate share of total collective OPEB liability	$ 189,721	$ 220,120	$ 259,068

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, HEAL recognized OPEB expense of $28,470. At June 30, 2018, HEAL reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	11,632
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,625
Employer contributions subsequent to the measurement date	-	-
	$ -	$ 17,257

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Period Ended:	Amount
6/30/2019	$ (4,959)
6/30/2020	(4,959)
6/30/2021	(4,959)
6/30/2022	(2,380)
	$ (17,257)

Payables to the OPEB Plan
At June 30, 2018, HEAL had no outstanding amount of employer contributions to the plan.

10. Cooperative Endeavor Agreement

On April 26, 2018, HEAL entered into a cooperative endeavor agreement (the "Agreement") with Division of Administration, State of Louisiana (the "Division") to manage, operate, and administer HEAL's parking garage and assume all expenses related thereto subject to the rights and obligations of APCOA LaSalle Parking Company, LLC included in the lease operating agreement between HEAL and APCOA LaSalle Parking Company, LLC. HEAL has determined that the Division has more adequate financial and staffing resources to manage, operate, and administer HEAL parking garage.

As part of the agreement, HEAL transferred to the Division the right of use and access to the parking garage and all of the equipment, vehicles, supplies, books, records, documents, papers, and the non-refundable sum of $400,000. In addition, HEAL is to transfer and assign to the Division all income derived from the parking garage beginning the 2019 fiscal year. The term of the Agreement shall continue until July 30, 2030 unless cancelled by either party with 30 days written notice.

11. Risk Management

HEAL is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to the public; and natural disasters for which HEAL carries commercial insurance or other insurance for the losses to which it is exposed. HEAL's premiums for general liability are based on various factors such as its operations and maintenance budget, exposure and claims experience.

12. Economic Dependency

The parking garage revenue is HEAL's primary source of revenue. Loss of this revenue would result in HEAL's inability to maintain its current level of operations. However, management considers the likelihood of loss of this income remote, as the current lease is in effect until December 31, 2030.

13. Compensation of Board Members

The following schedule presents HEAL's board members and compensation paid to each during the year ended June 30, 2018:

Member	Amount
Genevieve Pope, *Interim Chair*	$ -
Raegan Carter, *Treasurer*	-
Wayne Brown	-
Zazell Dudley	-
Gwendolyn Hamilton	-
Charles New	-

14. Subsequent Events

Subsequent events were evaluated by management through November 19, 2019, which is the date the financial statements were available to be issued.

HEAL's Executive Director resigned in February of 2018. Upon separation, the Executive Director was paid $29,016 for 600 hours of accrued annual leave. Louisiana Civil Service Rule 11.10 allows an employee to be paid for up to 300 hours of accrued annual leave when he/she separates from state service as a form of severance pay. On November 13, 2018, HEAL recuperated $13,499; a balance of $1,009 remains outstanding.

Required Supplementary Information

Health Education Authority of Louisiana
Schedule of Employer's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2018

Fiscal Year*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.00894%	$ 629,553	$ 166,759	378%	62.5%

*Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Health Education Authority of Louisiana
Schedule of Employer's Pension Contributions
For the Year Ended June 30, 2018

Fiscal Year*	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2018	$ 47,072	$ 47,072	$ -	$ 124,200	37.9%

*Amounts presented were determined as of the end of HEAL's fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Health Education Authority of Louisiana
Schedule of Employer's Proportionate Share of the Total Collective OPEB Liability
For the Year Ended June 30, 2018

	2018	2017	
Proportion of the total collective OPEB liability	0.0025%	0.0025%	
Proportionate share of the total collective OPEB liability	$ 220,120	$ 229,800	*
HEAL's covered employee payroll	$ 179,586	$ 166,754	
HEAL's proportionate share of the total collective OPEB liability as a percentage of the covered employee payroll	122.57%	137.81%	

*HEAL's proportionate share of the total collective OPEB liability has been restated at June 30, 2017. See note 2 to the financial statements.

Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Pension Plan

Changes of Benefit Terms
A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014.

Changes of Assumptions
The discount rate used in actuarial assumptions decreased from 7.75% in the June 30, 2016 valuation to 7.70% in the June 30, 2017 valuation.

Measurement Date
The amounts presented within the Schedule of Employer's Share of Net Pension Liability have a measurement date of the previous fiscal year end.

OPEB Schedules

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes of Assumptions
The discount rate has been decreased from 3.80% to 3.13% since the previous valuation. Additionally, a discount rate of 2.71% was used to measure the liability using a measurement date of July 1, 2016. Under GASB 75, unfunded plans are required to use a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate. Thus, the discount rates of 3.13% and 2.71% are based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2017 and June 30, 2016, respectively. The discount rate used in the GASB 45 valuation was selected by the plan sponsor.

Changes in Population
From the July 1, 2016 valuation date to the July 1, 2017 valuation date, HEAL had no changes in population.

Reports Required by Government Auditing Standards

PINELL & MARTINEZ LLC
Certified Public Accountants

308 South Tyler Street, Suite 2
Covington, Louisiana 70433
info@pinmarcpa.com
pinmarcpa.com
985-327-7311

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 Commissioners
Health Education Authority of Louisiana
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Health Education Authority of Louisiana ("HEAL") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HEAL'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 HEAL's internal control. Accordingly, we do not express an opinion on the effectiveness of HEAL'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 HEAL's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items **2018-1** and **2018-2** that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HEAL'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 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 items **2018-3**, **2018-4**, and **2018-5**.

HEAL's Response to Findings

HEAL's response to the findings identified in our audit is attached to the audited financial statements. HEAL's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 HEAL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HEAL's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pinell & Martinez, llc

Covington, Louisiana
November 19, 2019

A. Summary of Auditor's Results

a. Financial Statements

Type of auditors' report issued: Unmodified

b. Internal control over financial reporting:

Material weaknesses identified	✓ yes	no
Significant deficiencies identified not considered to be material weaknesses	yes	✓ none noted

c. Noncompliance material to financial statements noted

Noncompliance material to financial statements noted	✓ yes	no

B. Findings in Accordance with *Government Auditing Standards*

2018-1 Material Weakness: Segregation of Duties

Criteria
Segregation of duties is a basic building block of sustainable risk management and internal controls. The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person.

Condition
HEAL's executive director had check signing authority, access to the blank check stock, and access to credit cards while having unlimited access to HEAL's accounting software.

Cause
HEAL's budget provides funding for only a limited number of personnel for certain functions.

Effect
Without the separation in key processes, fraud and error risks are far less manageable and misstatements caused by errors and/or fraud may go undetected.

Recommendation
Individuals with check signing authority and access to the blank check stock and credit cards should have limited access to the accounting software. We recommend HEAL's board members to take over the duty of signing checks.

Management's Response and Corrective Action Plan
See management's response and corrective action plan following the schedule of findings.

2018-2 Material Weakness in Internal Controls over Payroll

Criteria
Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting procedures, including the accuracy of payroll expenses and related liabilities being reported.

Condition
Our audit testing indicated management and employees' did not maintain supporting documentation for the number of hours worked per pay period. HEAL's payroll administrator logged into the payroll software and manually entered each staff member's hours without the use of timesheets or other documentation to evidence management's approval of hours/time worked.

Cause
Management has not placed sufficient emphasis on ensuring that employee time sheets are approved prior to payment.

Effect
The lack of effective controls over payroll disbursements increases the risk of errors and/or fraud not being detected in a timely manner, including employees being compensated for hours not worked and the overstatement of accrued leave and sick leave balances.

Recommendation
Management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees. This can be done with the implementation of an employee time clock that requires employees to clock in and out each day. In addition, we recommend employees to complete a leave request form when absent and management or a board member sign the request form as evidence of approval.

Management's Response and Corrective Action Plan
See management's response and corrective action plan following the schedule of findings.

2018-3 Compliance: Disallowed Disbursement

Criteria
Louisiana Civil Service Rule 11.10 allows an employee to be paid for up to 300 hours of accrued annual leave when he/she separates from state service as a form of severance pay.

Condition
Our audit testing indicated the executive director was compensated $29,016 for 600 hours of accrued leave upon separation from HEAL. This was an overpayment of $14,508.

Cause
There appears to be a lack of understanding regarding civil service rules.

Effect
This resulted in public dollars being used for a disallowed payment.

Recommendation
HEAL's board should contact the executive director to request repayment of $14,508. If the request is denied, HEAL should obtain legal counsel to recoup the public's funds.

Management's Response and Corrective Action Plan
See Management's Response and Corrective Action Plan in the attached letter.

2018-4 Compliance: Ethics Training

Criteria
Public servants are required to take one hour of training per calendar year on the Code of Governmental Ethics pursuant to LA R.S.42:1170A.

Condition
A search of the Louisiana Board of Ethics website revealed that three employees and two board members did not complete the required annual ethics training during the year. By law, each public servant is required to receive at least one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Cause
There are no policies and procedures in place that address the ethics training requirements. As a result, some board members and employees overlooked the training requirements.

Effect
Violation of Louisiana R.S. 42:1170A.

Recommendation
HEAL's board should adopt policies and procedures that address the need for all board members and employees to complete the required ethics training every calendar year.

Management's Response and Corrective Action Plan
See Management's Response and Corrective Action Plan in the attached letter.

2018-5 Compliance: Late Submission of Audited Financial Statements

Criteria
HEAL must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. State entities are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end.

Condition
The June 30, 2018 audited financial statements were not filed within six months of the close of the fiscal year.

Cause
HEAL underwent significant changes to management and the structure of the board, resulting in the audit beginning after the due date.

Effect
HEAL is not in compliance with Louisiana R.S. 24.513-556.

Recommendation
We recommend HEAL's newly implemented board to provide oversight over the financial reporting processes to ensure the audit begins in a timely manner going forward.

Management's Response and Corrective Action Plan
See Management's Response and Corrective Action Plan in the attached letter.

A. Findings Relating to the Financial Statement Reported in Accordance with *Government Auditing Standards*

2017-1 Material Weakness: Segregation of Duties

Criteria
Segregation of duties is a basic building block of sustainable risk management and internal controls. The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person.

Condition
HEAL's executive director had check signing authority, access to the blank check stock, and access to credit cards while having unlimited access to HEAL's accounting software.

Cause
HEAL's budget provides funding for only a limited number of personnel for certain functions.

Effect
Without the separation in key processes, fraud and error risks are far less manageable and misstatements caused by errors and/or fraud may go undetected.

Recommendation
Individuals with check signing authority and access to the blank check stock and credit cards should have limited access to the accounting software. We recommend HEAL's board members to take over the duty of signing checks.

Update
This finding was repeated and included as a material weakness in internal controls for the year ended June 30, 2018.

2017-2 Material Weakness in Internal Controls over Payroll

Criteria
Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting procedures, including the accuracy of payroll expenses and related liabilities being reported.

Condition
Our audit testing indicated management and employees' did not maintain supporting documentation for the number of hours worked per pay period. HEAL's payroll administrator logged into the payroll software and manually entered each staff member's hours without the use of timesheets or other documentation to evidence management's approval of hours/time worked.

Cause
Management has not placed sufficient emphasis on ensuring that employee time sheets are approved prior to payment.

Effect
The lack of effective controls over payroll disbursements increases the risk of errors and/or fraud not being detected in a timely manner, including employees being compensated for hours not worked and the overstatement of accrued leave and sick leave balances.

Recommendation
Management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees. This can be done with the implementation of an employee time clock that requires employees to clock in and out each day. In addition, we recommend employees to complete a leave request form when absent and management or a board member sign the request form as evidence of approval.

Update
This finding was repeated during the 2018 fiscal year and included as a material weakness in internal controls for the year ended June 30, 2018.

2017-3 Compliance: Disallowed Disbursement

Criteria
Louisiana Civil Service Rule 11.10 allows an employee to be paid for up to 300 hours of accrued annual leave when he/she separates from state service as a form of severance pay.

Condition
Our audit testing indicated the executive director was compensated $29,016 for 600 hours of accrued leave upon separation from HEAL. This was an overpayment of $14,508.

Cause
There appears to be a lack of understanding regarding civil service rules.

Effect
This resulted in public dollars being used for a disallowed payment.

Recommendation
HEAL's board should contact the executive director to request repayment of $14,508. If the request is denied, HEAL should obtain legal counsel to recoup the public's funds.

Update
This finding occurred during the 2018 fiscal year and included as a finding of noncompliance material to the financial statements for the year ended June 30, 2018.

2017-4 Compliance: Ethics Training

Criteria
Public servants are required to take one hour of training per calendar year on the Code of Governmental Ethics pursuant to LA R.S.42:1170A.

Condition
A search of the Louisiana Board of Ethics website revealed that two of HEAL's board members and two employees did not complete the required annual ethics training during the year. By law, each public servant is required to receive at least one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Cause
There are no policies and procedures in place that address the ethics training requirements. As a result, some board members and employees overlooked the training requirements.

Effect
Violation of Louisiana R.S. 42:1170A.

Recommendation
HEAL's board should adopt policies and procedures that address the need for all board members and employees to complete the required ethics training every calendar year.

Update
This finding was repeated during the 2018 fiscal year and included as a finding of noncompliance material to the financial statements for the year ended June 30, 2018.

2017-5 Compliance: Late Submission of Audited Financial Statements

Criteria
HEAL must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. State entities are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end.

Condition
The June 30, 2017 audited financial statements were not filed within six months of the close of the fiscal year.

Cause
HEAL underwent significant changes to management and the structure of the board, resulting in the audit beginning after the due date.

Effect
HEAL is not in compliance with Louisiana R.S. 24.513-556.

Recommendation

We recommend HEAL's newly implemented board to provide oversight over the financial reporting processes to ensure the audit begins in a timely manner going forward.

Update

This finding was repeated during the 2018 fiscal year and included as a finding of noncompliance material to the financial statements for the year ended June 30, 2018.

November 19, 2019

Pinell & Martinez, LLC
308 S. Tyler Street, Suite 2
Covington, Louisiana 70433
Attn: Chris Pinell

Re: Financial Statement Audit

Dear Mr. Pinell:

Please consider the premises the Health Education Authority of Louisiana's response to your audit of HEAL's financial statements for the period ending June 30, 2018.

- 2018-1 – Material Weakness: Segregation of Duties

  HEAL's Response: Concur – Check signing authority is limited to two Board members who are both required to sign checks. These individuals do not have access to HEAL's accounting software.

- 2018-2 – Material Weakness in Internal Controls over Payroll

  HEAL's Response: HEAL no longer has any employees and therefore this finding is no longer applicable.

- 2018-3 – Compliance: Disallowed Disbursement

  HEAL's Response: Concur – The cited Civil Service Rule and La. R.S. 42:421 limit the terminal annual leave payout to a separating employee to 300 hours of accrued annual leave. HEAL intends to seek recoupment of the overpayment totaling $14,508.00.

- 2018-4 – Compliance: Ethics Training

  HEAL's Response: HEAL no longer has any employees and therefore this finding is no longer applicable.

- 2018-5 – Compliance: Late Submission of Audited Financial Statements

  HEAL's Response: Concur – HEAL's failure to timely submit the annual audit was indeed attributable to significant changes to management and the structure of the Board. The Financial Statements Audit for the year ending June 30, 2019 will be timely submitted.

Sincerely,

Genevieve Pope
Interim Chair
Health Education Authority Louisiana

Enc.