

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

Independent Auditor's Reports and Financial Statements

May 31, 2022 and 2021

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

May 31, 2022 and 2021

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Independent Auditor's Report

Board of Commissioners
East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
Lake Providence, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital), a component unit of East Carroll Parish, as of and for the years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of May 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits 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 opinions or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, as listed in the table of contents, is required by the Louisiana Legislative Auditor and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

FORVIS,LLP

Jackson, Mississippi
December 12, 2022

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2022 and 2021**

Introduction

This management's discussion and analysis of the financial performance of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended May 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and cash equivalents, along with the change in certificates of deposit, increased by \$816,407 in 2022 and decreased by \$1,948,927 in 2021. This was mainly due to the receipt of \$1,137,124 of Provider Relief Funds in 2022.
- The Hospital's net position increased \$3,914,079 and \$4,614,831 in 2022 and 2021, respectively.
- The assets of the Hospital exceeded liabilities by \$20,489,030 at the end of the 2022 fiscal year and by \$16,574,951 at the end of fiscal year 2021. Of this amount, \$15,129,694 and \$12,140,801 at May 31, 2022 and 2021, respectively, are unrestricted net position and may be used to meet ongoing obligations to the Hospital's employees, patients, and creditors; while \$5,359,336 and \$4,434,150 at May 31, 2022 and 2021, respectively, are invested in capital assets.

Using This Annual Report

The Hospital's financial statements consist of three statements—balance sheet; statement of revenues, expenses and changes in net position; and statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of

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services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet. The Hospital's net position increased by \$3,914,079 in 2022 over 2021, and increased by \$4,614,831 in 2021 over 2020, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2022	2021	2020
Assets			
Current assets	\$ 7,218,548	\$ 5,655,185	\$ 10,508,049
Capital assets, net	5,359,336	4,552,443	3,021,573
Board designated certificates of deposit	8,618,864	8,546,941	4,469,874
	<u>\$ 21,196,748</u>	<u>\$ 18,754,569</u>	<u>\$ 17,999,496</u>
Liabilities			
Current liabilities	\$ 707,718	\$ 1,153,803	\$ 5,085,015
Long-term debt	-	1,025,815	954,361
	<u>707,718</u>	<u>2,179,618</u>	<u>6,039,376</u>
Net Position			
Net investment in capital assets	5,359,336	4,434,150	3,021,573
Unrestricted	15,129,694	12,140,801	8,938,547
Total net position	<u>20,489,030</u>	<u>16,574,951</u>	<u>11,960,120</u>
Total liabilities and net position	<u>\$ 21,196,748</u>	<u>\$ 18,754,569</u>	<u>\$ 17,999,496</u>

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2022 Highlights

- Current assets increased in 2022 by a total of \$1,563,363, primarily due to increased cash of \$1,137,124 from Provider Relief Funds received in 2022.
- Capital assets, net increased \$806,893 in 2022, due to the increase of approximately \$1,292,000 additions of fixed assets during the year.
- Long-term debt decreased \$1,025,815, due primarily to the second round Paycheck Protection Program (PPP) loan having been fully forgiven in 2022.

2021 Highlights

- Current assets decreased in 2021 by a total of \$4,852,864, primarily due to cash invested in board designated certificates of deposit of \$4,000,000.
- Capital assets, net increased \$1,530,870 in 2021, due to a new clinic under construction during the year.
- Current liabilities decreased \$3,931,212, due to the recognition of Provider Relief Funds of approximately \$3,722,000 in 2021.

Operating Results and Changes in the Hospital's Net Position

In 2022, the Hospital's change in net position decreased by \$700,752, from \$4,614,831 in 2021 to \$3,914,079 in 2022, as shown in Table 2. This decrease is primarily related to a decrease in nonoperating revenues of \$2,377,671 as a result of the recognition of Provider Relief Funds in 2022. The Hospital's 2021 change in net position increased \$4,642,707, as compared to 2020 to \$4,614,831 in 2021.

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Table 2: Operating Results and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues			
Net patient service revenue	\$ 12,631,419	\$ 9,832,032	\$ 10,266,489
Other	<u>913,549</u>	<u>741,668</u>	<u>312,804</u>
Total operating revenues	<u>13,544,968</u>	<u>10,573,700</u>	<u>10,579,293</u>
Operating Expenses			
Salaries, wages, and employee benefits	6,840,303	6,777,389	6,608,743
Supplies and other	5,311,114	4,344,496	4,213,883
Depreciation	<u>484,956</u>	<u>327,572</u>	<u>359,404</u>
Total operating expenses	<u>12,636,373</u>	<u>11,449,457</u>	<u>11,182,030</u>
Operating Income (Loss)	908,595	(875,757)	(602,737)
Nonoperating Revenues, Net	1,974,970	4,352,641	574,861
Special Item	<u>1,030,514</u>	<u>1,137,947</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 3,914,079</u>	<u>\$ 4,614,831</u>	<u>\$ (27,876)</u>

Operating Revenues

The first component of the overall change in the Hospital's net position is its operating income or loss - generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In two of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's recent operating history, as the Hospital was formed and is operated primarily to serve residents of East Carroll Parish and the surrounding area. The Hospital levies property taxes to provide sufficient resources to enable the Hospital to serve lower income and other residents.

The operating income for 2022 increased by \$1,784,352, or 204%, as compared to 2021. The primary components of the increased operating income are:

- An increase in net patient service revenue of \$2,799,387, or 28.5%, from 2021 to 2022, due to the new clinic opening in fiscal year 2022.
- Other operating revenues increased \$171,881, or 23.2%, due to an increase in 340b pharmacy revenue of \$159,505 during 2022.

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- An increase in supplies and other of \$966,618, or 22.2%, due to additional need for supplies needed to treat and test for COVID-19 cases.

2022 Highlights

- During 2022, the Hospital had patient days and admissions (inpatient and observation) of 797 and 482, respectively. This was an increase of 144 patient days, or 22.1% from 2021 levels. Admissions increased in 2022 by 147, or 43.9%, from 2021 levels.
- Operating expenses were up 10.4% from 2021 to 2022. This was primarily due to a 22.2% increase in supplies and other, as well as a 48.0% increase in depreciation.

2021 Highlights

- During 2021, the Hospital had patient days and admissions (inpatient and observation) of 653 and 335, respectively. This was a decrease of 147 patient days, or 43.9% from 2020 levels. Admissions decreased in 2021 by 235, or (41.2%), from 2020 levels.
- Operating expenses were up 2.4% from 2020 to 2021. This was primarily due to a 3.1% increase in supplies and other, as well as a 2.6% increase in salaries and wages.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of subsidy from East Carroll Parish and Provider Relief Funds. The Hospital recognized approximately \$512,000, \$465,000, and \$502,000 of parish subsidy for 2022, 2021, and 2020, respectively. The Hospital also recognized \$1,137,124 and \$3,722,301 related to Provider Relief Funds received in 2022 and 2021, respectively.

The Hospital's Cash Flows

Cash provided by (used in) operating activities was \$251,579, (\$1,864,933), and \$701,786 for 2022, 2021 and 2020, respectively. The primary reason for cash provided by operating activities in 2022 is receipts from and on behalf of patients, which significantly increased over 2021, as noted in the "Operating Revenues" section above.

Capital Asset and Debt Administration

Capital Assets

At the end of 2022 and 2021, the Hospital had approximately \$5,359,000 and \$4,552,000 of net capital assets, as detailed in *Note 6* to the financial statements.

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Debt

The Hospital had an outstanding loan under the PPP for approximately \$1,026,000 at May 31, 2021. In 2022, the Hospital received forgiveness of their PPP loan.

Other Economic Factors

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the fiscal year 2023 budget. The primary importance in setting the 2023 budget was the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Impact of COVID-19 on the Hospital, primarily to revenues and additional supplies
- Medicare reimbursement changes
- Medicaid reimbursement changes, particularly as Medicaid expands in Louisiana
- Continuation at the current level of Uncompensated Care Program
- Increased number of high deductible plans
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Administrator at East Carroll Parish Hospital, 336 North Hood Street, Lake Providence, Louisiana 71254-2194 or by phone at 318.559.4023.

**East Carroll Parish Hospital Service District d/b/a
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**Balance Sheets
May 31, 2022 and 2021**

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,676,652	\$ 2,932,168
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$861,000 and \$967,000 in 2022 and 2021, respectively	1,181,767	1,009,802
Estimated amounts due from third-party payors	1,797,856	1,091,884
Supplies	338,803	323,490
Prepaid expenses and other	223,470	297,841
Total current assets	7,218,548	5,655,185
Capital Assets, Net	5,359,336	4,552,443
Board Designated Certificates of Deposit	8,618,864	8,546,941
Total assets	\$ 21,196,748	\$ 18,754,569

	<u>2022</u>	<u>2021</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 382,573	\$ 809,151
Accrued expenses	<u>325,145</u>	<u>344,652</u>
Total current liabilities	<u>707,718</u>	<u>1,153,803</u>
Long-term Debt		
	<u>-</u>	<u>1,025,815</u>
Total liabilities	<u>707,718</u>	<u>2,179,618</u>
Net Position		
Net investment in capital assets	5,359,336	4,434,150
Unrestricted	<u>15,129,694</u>	<u>12,140,801</u>
Total net position	<u>20,489,030</u>	<u>16,574,951</u>
Total liabilities and net position	<u>\$ 21,196,748</u>	<u>\$ 18,754,569</u>

**East Carroll Parish Hospital Service District d/b/a
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Statements of Revenues, Expenses and Changes in Net Position

Years Ended May 31, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$544,000 2021 - \$691,000	\$ 12,631,419	\$ 9,832,032
Other	913,549	741,668
Total operating revenues	13,544,968	10,573,700
Operating Expenses		
Salaries and wages	5,783,806	5,763,002
Employee benefits	1,056,497	1,014,387
Supplies and other	5,311,114	4,344,496
Depreciation	484,956	327,572
Total operating expenses	12,636,373	11,449,457
Operating Income (Loss)	908,595	(875,757)
Nonoperating Revenues (Expenses)		
Parish subsidy	511,600	464,992
Interest income	73,262	80,784
Interest expense	-	(353)
Rental income	600	600
CARES Act revenue	1,137,124	3,722,301
Noncapital grants	252,384	84,317
Total nonoperating revenues (expenses)	1,974,970	4,352,641
Income Before Special Item	2,883,565	3,476,884
Special Item		
Forgiveness of Paycheck Protection Program loan	1,030,514	1,137,947
Increase in Net Position	3,914,079	4,614,831
Net Position, Beginning of Year	16,574,951	11,960,120
Net Position, End of Year	\$ 20,489,030	\$ 16,574,951

**East Carroll Parish Hospital Service District d/b/a
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Statements of Cash Flows

Years Ended May 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 11,738,006	\$ 8,794,187
Payments to suppliers and contractors	(5,476,134)	(4,470,502)
Payments to employees	(6,851,111)	(6,814,667)
Other operating receipts	840,818	626,049
	251,579	(1,864,933)
 Cash Flows from Noncapital Financing Activities		
Noncapital grants	252,384	84,357
Paycheck Protection Program loan proceeds	-	1,025,775
Governmental funding through CARES Act	1,137,124	-
Rental income	600	600
Parish subsidy	511,600	464,992
	1,901,708	1,575,724
 Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(1,410,142)	(1,740,149)
Gain upon debt extinguishment	-	(353)
	(1,410,142)	(1,740,502)
 Cash Flows from Investing Activities		
Purchase of board designated certificates of deposit	-	(4,077,067)
Interest income received	1,339	80,784
	1,339	(3,996,283)
 Increase (Decrease) in Cash and Cash Equivalents	744,484	(6,025,994)
 Cash and Cash Equivalents, Beginning of Year	2,932,168	8,958,162
 Cash and Cash Equivalents, End of Year	\$ 3,676,652	\$ 2,932,168

**East Carroll Parish Hospital Service District d/b/a
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Statements of Cash Flows (Continued)
Years Ended May 31, 2022 and 2021**

	2022	2021
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 908,595	\$ (875,757)
Depreciation	484,956	327,572
Provision for uncollectible accounts	544,317	691,468
Changes in operating assets and liabilities		
Patient accounts receivable	(716,282)	(764,734)
Estimated amounts due to/from third-party payors	(705,972)	(964,579)
Supplies	(15,313)	(34,744)
Prepaid expenses and other	74,371	(100,541)
Accounts payable and accrued expenses	(323,093)	(143,618)
Net cash provided by (used in) operating activities	\$ 251,579	\$ (1,864,933)
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable and accrued expenses	\$ -	\$ 118,293
Forgiveness of Paycheck Protection Program loan	\$ 1,030,514	\$ 1,137,947

**East Carroll Parish Hospital Service District d/b/a
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Notes to Financial Statements

May 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in East Carroll Parish, Louisiana. The Hospital is a governmental acute care hospital located in Lake Providence, Louisiana. It was created by the East Carroll Parish Police Jury. The Policy Jury appoints the Board of Commissioners of the Hospital. The Hospital is considered a political subdivision of the State of Louisiana and a component unit of East Carroll Parish.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as parish appropriations), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2022 and 2021, cash equivalents consisted of a money market account.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Hospital provides an allowance for uncollectible

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accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supplies inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost.

Investment income includes interest income on board designated certificates of deposit.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term, or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Buildings and improvements	20-40 years
Furniture and equipment	5-20 years
Transportation equipment	4-8 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. No asset impairment was recognized during the years ended May 31, 2022 or 2021.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus

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Notes to Financial Statements

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an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. GAAP requires a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2022 and 2021**

Parish Subsidy

The Hospital received approximately 3.4% in 2022 and 2.9% in 2021 of its financial support from property taxes. These funds were used to support operations.

Property taxes are assessed October 1 and are received beginning on October 1 of each year and become delinquent after January 1 of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in (1) direct obligations of the United States Government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, and (3) savings accounts at savings and loan associations and banks to the extent fully insured.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2022 and 2021**

At May 31, 2022 and 2021, the Hospital's bank balances were exposed to custodial credit risk as follows:

	<u>2022</u>	<u>2021</u>
Insured by Federal Deposit Insurance Corporation (FDIC)	\$ 285,485	\$ 263,111
Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name	<u>12,196,738</u>	<u>11,555,382</u>
Total depository balance	<u>\$ 12,482,223</u>	<u>\$ 11,818,493</u>
Carrying value	<u>\$ 12,295,516</u>	<u>\$ 11,479,109</u>
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 3,676,652	\$ 2,932,168
Board designated certificates of deposit	<u>8,618,864</u>	<u>8,546,941</u>
	<u>\$ 12,295,516</u>	<u>\$ 11,479,109</u>

Note 3: Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Other - The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

Notes to Financial Statements

May 31, 2022 and 2021

rates per discharge, discounts from established charges, and prospectively determined daily rates.

Approximately 81% and 80% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor), whereby the Grantor awards an intergovernmental transfer (IGT) grant to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The benefit to the Hospital for participating in this program for the years ended May 31, 2022 and 2021 totaled approximately \$1,666,000 and \$1,153,000, respectively, and is included in net patient service revenue. There can be no assurances that this program will remain in effect in future years, or that the Hospital will continue to participate in the program at reimbursement levels experienced to date.

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at May 31, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 387,380	\$ 282,660
Medicaid	589,969	363,239
Other third-party payors	332,690	584,058
Patients	<u>732,415</u>	<u>746,655</u>
	2,042,454	1,976,612
Less allowance for uncollectible accounts	<u>(860,687)</u>	<u>(966,810)</u>
	<u>\$ 1,181,767</u>	<u>\$ 1,009,802</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2022 and 2021**

Note 5: Estimated Amounts Due from Third-party Payors

A summary of estimated amounts due from third-party payors follows.

	2022	2021
Due from Medicare Program, net	\$ 155,279	\$ 253,260
Due from Louisiana Medicaid Program, net	629,078	264,015
Due from Rural Health Coalition	1,013,499	574,609
	\$ 1,797,856	\$ 1,091,884

Note 6: Capital Assets

Capital assets activity for the years ended May 31, 2022 and 2021 was:

	2022				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Land improvements	52,146	-	-	-	52,146
Buildings and improvements	3,608,796	-	-	1,296,548	4,905,344
Equipment	2,991,429	832,872	-	-	3,824,301
Transportation equipment	911,040	-	-	-	911,040
Clinic building and equipment	594,979	178,165	-	117,370	890,514
Capital improvement	44,789	192,791	-	596,013	833,593
Construction in progress	1,921,910	88,021	-	(2,009,931)	-
	10,147,089	1,291,849	-	-	11,438,938
Less accumulated depreciation					
Land improvements	9,587	2,607	-	-	12,194
Buildings and improvements	1,932,704	238,122	-	-	2,170,826
Equipment	2,437,532	167,586	-	-	2,605,118
Transportation equipment	686,125	66,042	-	-	752,167
Clinic building and equipment	528,698	10,599	-	-	539,297
	5,594,646	484,956	-	-	6,079,602
Capital assets, net	\$ 4,552,443	\$ 806,893	\$ -	\$ -	\$ 5,359,336

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2022 and 2021**

	2021				
	Beginning	Additions	Disposals	Transfers	Ending
	Balance				Balance
Land	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Land improvements	52,146	-	-	-	52,146
Buildings and improvements	3,608,796	-	-	-	3,608,796
Equipment	2,797,314	194,115	-	-	2,991,429
Transportation equipment	860,851	50,189	-	-	911,040
Clinic building and equipment	594,979	-	-	-	594,979
Capital improvement	44,789	-	-	-	44,789
Construction in progress	307,772	1,614,138	-	-	1,921,910
	8,288,647	1,858,442	-	-	10,147,089
Less accumulated depreciation					
Land improvements	6,980	2,607	-	-	9,587
Buildings and improvements	1,754,307	178,397	-	-	1,932,704
Equipment	2,341,062	96,470	-	-	2,437,532
Transportation equipment	647,151	38,974	-	-	686,125
Clinic building and equipment	517,574	11,124	-	-	528,698
	5,267,074	327,572	-	-	5,594,646
Capital assets, net	\$ 3,021,573	\$ 1,530,870	\$ -	\$ -	\$ 4,552,443

Note 7: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at May 31 consisted of:

	2022	2021
Payable to suppliers and contractors	\$ 392,719	\$ 827,996
Payable to employees (including payroll tax benefits)	314,999	325,807
	\$ 707,718	\$ 1,153,803

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2022 and 2021**

Note 8: Long-term Debt

The following is a summary of long-term obligation transactions for the Hospital for the years ended May 31, 2022 and 2021:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
PPP loan	\$ 1,025,815	\$ -	\$ 1,025,815	\$ -	\$ -
	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
PPP loan	\$ 1,137,947	\$ 1,025,815	\$ 1,137,947	\$ 1,025,815	\$ -

The Hospital received a Paycheck Protection Program (PPP) loan of \$1,137,947 in May 2020 from the Small Business Administration (SBA) designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan had an interest rate of 1%, due in monthly installments of \$64,052, beginning in May 2021, with the balance due August 2022. On November 16, 2020, the Hospital was approved for forgiveness of the full amount of the loan.

The Hospital received a PPP loan of \$1,025,815 in April 2021, from the SBA. The loan had an interest rate of 1%, due in monthly installments of \$24,080, beginning in September 20, 2022, with the balance due April 20, 2026. On September 21, 2021, the Hospital was approved for forgiveness of the full amount of the loan.

Note 9: Retirement Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by an unrelated third party. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Currently, the Hospital matches the employee's contributions up to 2% of the employee's eligible compensation. Contributions made by plan members and the Hospital were \$138,009 and \$52,144 during 2022, respectively, and \$137,855 and \$51,544 during 2021, respectively.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2022 and 2021**

Note 10: Contingencies

Admitting Physicians

The Hospital is served by three physicians whose patients comprised approximately 70% and 79% of the Hospital's admissions for the years ended May 31, 2022 and 2021, respectively.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program described in *Note 1*, such as allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such amounts have been recorded as of May 31, 2022 or 2021. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 11: COVID-19 Pandemic and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19, as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by healthcare facilities.

During 2022, the Hospital received general and targeted Provider Relief Funds distributions provided for under the CARES Act as discussed below.

The extent of the COVID-19 pandemic's adverse impact on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic.

Provider Relief Funds

During the year ended May 31, 2022, the Hospital received approximately \$1,137,000 from the general other targeted distributions from the CARES Act Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare related expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2022 and 2021**

The Hospital is accounting for such payments as voluntary nonexchange transactions. These payments are recognized as nonoperating revenue once the applicable terms and conditions required to retain the funds have been met and completion of the measurement period. Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the impact of the pandemic on the Hospital's operating results through May 31, 2022, the Hospital considered it appropriate to fully recognize as revenue all distributions from the Provider Relief Funds during the years ended May 31, 2022 and 2021. These payments are recorded as nonoperating revenues – CARES Act revenue in our statements of revenues, expenses and changes in net position. The unrecognized amount of general distributions and targeted distributions are recorded as part of revenue received in advance in the accompanying balance sheets.

The Hospital has recognized revenue from the Provider Relief Funds based on guidance issued by the HHS as of May 31, 2022 and 2021. Any clarifications issued by HHS subsequent to year-end did not have an impact on the Hospital at May 31, 2022. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Funds reporting could differ. Provider Relief Funds payments are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

The CARES Act and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of approximately \$1,138,000 in May 2020. The loan has an interest rate of 1%. The Hospital recognized the forgiveness of this loan as a gain in the financial statements during fiscal year 2021, when the loan was legally forgiven.

The Hospital received a second draw PPP loan of approximately \$1,026,000 in April 2021. This loan has an interest rate of 1%. The Hospital recognized the forgiveness of this loan as a special item gain in the financial statements during fiscal year 2022, when the loan was legally forgiven. The PPP loans are included on the accompanying balance sheets as long-term debt in accordance with the term of the PPP loan agreement. See *Note 8* for additional information.

Supplementary Information

**East Carroll Parish Hospital Service District d/b/a
 East Carroll Parish Hospital
 A Component Unit of East Carroll Parish
 Schedule of Compensation, Benefits and Other Payments
 to Agency Head or Chief Executive Officer
 Year Ended May 31, 2022**

Purpose	Amount
Salary	\$ 190,821
Benefits - insurance	7,322
Benefits - retirement	3,101
Continuing professional education fees	585
	\$ 201,829



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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Commissioners
East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
Lake Providence, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital), a component unit of East Carroll Parish, which comprise the Hospital's balance sheet as of May 31, 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-02 to be a significant deficiency.

Report on Compliance and Other Matters

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

The Hospital's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Jackson, Mississippi
December 12, 2022

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses
Year Ended May 31, 2022**

Reference Number	Finding
2022-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls over financial reporting to appropriately represent the financial position as of year-end.</p> <p>Condition – The Hospital’s financial statements required adjusting journal entries for financial statement presentation, and its accounting records include other immaterial adjustments that were passed during the course of the audit.</p> <p>Context – Timely and accurate account reconciliations and review of general ledger details are critical in identifying necessary adjustments.</p> <p>Effect – Monthly and annual financial statements may not accurately reflect the financial position of the Hospital.</p> <p>Cause – Controls were not operating properly that would ensure transactions were properly recorded. Further, the Hospital has staffing limitations such that timely reconciliations may not always be feasible.</p> <p>Recommendation – Management should review or enhance month-end and fiscal year- end closing procedures to identify necessary journal entries to appropriately present the financial position of the Hospital and results of operations.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management will continue to consider the costs versus benefits of improving controls over financial statement preparation.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2022**

Reference Number	Finding
2022-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition – Limited separation of functions exists within the accounting system.</p> <p>Context – There are incompatible duties within cash disbursements and payroll. Further, the administrator has full access to the accounting system and can modify journal entries subsequent to posting with no review.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Due to limitations of the Hospital’s small accounting staff, the Hospital has not designed internal control procedures for separation of duties in various functional accounting areas.</p> <p>Recommendation – Management should periodically evaluate the cost versus the benefits of developing internal control procedures or other compensating controls over the functional accounting areas and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management will continue to consider the costs versus benefits of improving segregation of duties within the functional accounting areas.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Year Ended May 31, 2022



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
East Carroll Parish Hospital Service District
d/b/a East Carroll Parish Hospital
Lake Providence, Louisiana

We have performed the procedures enumerated in the attachment to this report on the control and compliance areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures as of and for the year ended May 31, 2022. The management of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) is responsible for the control and compliance areas identified in LLA's Statewide Agreed-Upon Procedures.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of LLA's Statewide Agreed-Upon Procedure requirements as of and for the year ended May 31, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in the attachment to this report.

We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on LLA's Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Under Louisiana Revised Statute 24:513, this report is distributed by LLA as a public document.

FORVIS,LLP

Jackson, Mississippi
December 14, 2022

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Up Upon Procedures
Year Ended May 31, 2022**

Written Policies and Procedures

Procedures

1. Obtain and inspect the Hospital's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. **Disbursements**, including processing, reviewing, and approving.
 - d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g. **Credit Cards (and debit cards, fuel cards, P-cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Hospital's ethics policy.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2022**

- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Findings

The Hospital has a budgeting policy; however, the policy does not address monitoring or amending the budget.

The Hospital has a purchasing policy; however, the policy does not address adding vendors to the accounts payable system.

The Hospital does not have a formal credit card policy.

The Hospital does have an ethics policy; however, it does not address the actions to be taken if an ethics violation takes place, the system to monitor possible ethics violations, or any specific requirement that all employees, including elected officials, annually attest through signature verification that they have read the Hospital's ethics policy.

The Hospital does have an IT Disaster Recovery & Emergency Plan; however, it does not address frequency of backups, storage of backups, or the timely application of all patches/updates.

Debt service is not applicable to the Hospital due to no outstanding debt in the fiscal year.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Board or Finance Committee

Procedures

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

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- a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Findings

No exceptions were identified in the performance of the procedures listed above.

Bank Reconciliations

Procedures

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

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Findings

Management provided a listing of 10 bank accounts for the year ended May 31, 2022, and asserted that the listing was complete.

No exceptions were identified in the performance of the procedures listed above.

Collections (excluding electronic funds transfers)

Procedures

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

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revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

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

Findings

Management provided a listing of deposit sites where deposits for cash/checks/money orders (cash) are prepared for the year ended May 31, 2022, and asserted the listing was complete.

Management provided a listing of cash/check/money order (cash) collection locations for each deposit site for the year ended May 31, 2022, and asserted the listing was complete.

No exceptions were identified in the performance of the above procedures.

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

Procedures

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.

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- c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the Hospital's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the Hospital.
 - b. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings

Management listed one location, the Hospital's business office, that processed payments for the fiscal period and provided a listing of disbursements as it relates for the year ended May 31, 2022, and asserted the listing was complete.

The Administrator has the ability to access all parts of the accounting system and is not prohibited from adding/modifying vendor files.

The accounts payable clerk has the ability to add vendors to the Hospital's master files, as well as the authority to process payments. There is no formal review of the vendors added to the system, as the only review done on vendors is at the time of check signing.

The accounts payable clerk is responsible for preparing/processing payments, as well as mailing the payments.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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

Procedures

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

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12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b. Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had compensating control to address missing receipts, such a “missing receipt statement” that is subject to increased scrutiny.

Findings

Management asserted it had only one credit card and no bank debit cards, fuel cards, or P-cards (cards) used for expending funds for the year ended May 31, 2022. The above testing was done on that one credit card.

No exceptions were identified in the performance of the procedures listed above.

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

Procedures

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

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

Findings

Management provided a listing of all employees that received travel reimbursements during the year ended May 31, 2022, and asserted the listing was complete.

Two travel related reimbursements did not have evidence of review and approval.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Contracts

Procedures

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment, and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

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Findings

Management provided a listing of all contracts in effect during the year ended May 31, 2022, and asserted the listing was complete.

The Hospital did not bid out or issue a Request For Proposal (RFP) for information technology service contract reviewed.

No other exceptions were identified in the performance of the procedures listed above.

Payroll and Personnel

Procedures

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c. Observe that any leave accrued or taken during the pay period is reflected in the Hospital's cumulative leave records.
 - d. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

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19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed by required deadlines

Findings

Management provided a list of all employees with their related salaries for the year ended May 31, 2022, and asserted the listing was complete.

For all 5 employees selected, current pay rates were not present in the personnel file, as company-wide raises approved by the board as of December 31, 2021 were not included in the personnel files.

For the May 23, 2022 pay period tested, 5 leave requests were not approved prior to leave being awarded to the employee.

For the 2 employees selected for testing with termination payments, current pay rates were not present in the personnel file, as company-wide raises approved by the board as of December 31, 2021 were not included in the personnel files.

No other exceptions were identified in the performance of the procedures listed above.

Ethics (excluding nonprofits)

Procedures

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Findings

No exceptions were identified in the performance of the procedures listed above.

Debt Service (excluding nonprofits)

Procedures

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the

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listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings

The Hospital issued no debt during the year and no outstanding debt service requirements; therefore, steps 21 and 22 are not applicable.

Fraud Notice

Procedures

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

Findings

No exceptions were identified in the performance of the procedures listed above.

Information Technology Disaster Recovery/Business Continuity

Procedures

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b. Obtain and inspect the entity's most recent documentation that it has tested/verified that backups can be restored (if no written documentation, inquire of personnel responsible

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for testing/verifying backup restorations) and observe evidence that the test/verification was successfully performed within past 3 months.

- c. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Findings

Management provided a computer listing in effect during the year ended May 31, 2022, and asserted the listing was complete.

No exceptions were identified in the performance of the procedures listed above.

Sexual Harassment

Procedures

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a. Number and percentage of public servants in the agency who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the agency;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;
 - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e. Amount of time it took to resolve each complaint.

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Findings

Management provided the sexual harassment training documentation for the 5 selected employees.

No exceptions were identified in the performance of the procedures listed above.

Management's Response

Management understands the importance of having policies and procedures in place and being able to monitor those policies and procedures for compliance. Management is in the process of updating all policy and procedure manuals hospital-wide and will consider the findings noted in this document as the policies and procedures are being updated. Management will also look at procedures that are currently in place that do not meet LLA's requirements to determine the change necessary to ensure compliance.