

COMMON GROUND HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2016



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

Common Ground Health Clinic, Inc.
Table of Contents
December 31, 2016

REPORT

Independent Auditors' Report	1
------------------------------	---

FINANCIAL STATEMENTS

Statement of Financial Position	3
---------------------------------	---

Statement of Activities	4
-------------------------	---

Statement of Functional Expenses	5
----------------------------------	---

Statement of Cash Flows	6
-------------------------	---

Notes to Financial Statements	7
-------------------------------	---

OTHER SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer	15
---	----

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
---	----

Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance	18
---	----

Schedule of Expenditures of Federal Awards	21
--	----

Notes to the Schedule of Expenditures of Federal Awards	22
---	----

Schedule of Findings and Questioned Costs	23
---	----

Summary Schedule of Prior Audit Findings	32
--	----

Corrective Action Plan	35
------------------------	----



Report



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 837-9116
(504) 837-0123 (fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Common Ground Health Clinic, Inc.
New Orleans, Louisiana

We were engaged to audit the accompanying financial statements of Common Ground Health Clinic, Inc. (a non-profit organization) (the Clinic), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain necessary support to reconcile and audit net patient revenues and receivables, accrued expenses, and property and equipment, which in turn impacted our ability to audit cash and expenses of the Clinic as well, because of the volume of turnover in management and accounting staff during the year ended December 31, 2016. We were unable to obtain sufficient appropriate audit evidence about the areas mentioned above through application of other auditing procedures.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is required by Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not 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 financial statements. Due to the significance of the matter disclosed in the Basis for Disclaimer of Opinion paragraph, it is not appropriate to, and we do not, express an opinion on the Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer and the Schedule of Federal Awards.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of Common Ground Health Clinic, Inc. 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 Clinic's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Common Ground Health Clinic, Inc.'s internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

January 30, 2019



Financial Statements

Common Ground Health Clinic, Inc.
Statement of Financial Position

As of December 31,

2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 228,095
Accounts receivable, net of contractual allowance and allowance for bad debt of \$80,477 and \$27,258, respectively	4,303
Prepays and other assets	2,364
Total Current Assets	234,762
PROPERTY AND EQUIPMENT, net	
Land held for development	12,000
Leasehold improvements, furniture, and equipment, net	9,390
Total Property and Equipment, net	21,390
TOTAL ASSETS	\$ 256,152
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 197,730
Total Current Liabilities	197,730
NET ASSETS	
Unrestricted	58,422
Total Net Assets	58,422
TOTAL LIABILITIES AND NET ASSETS	\$ 256,152

*See Independent Auditors' Report for Disclaimer of Opinion.
The accompanying notes are an integral part of this financial statement.*

Common Ground Health Clinic, Inc.
Statement of Activities

<i>For the Year Ended December 31,</i>	2016
UNRESTRICTED SUPPORT AND REVENUES	
Gross patient service revenue	\$ 350,634
(Less): Contracted allowances and provision for bad debts	(97,118)
Net patient service revenue	253,516
Grants - governmental	946,660
Grants - foundation, trust, and non-profit	515
Other income	237,248
Total Unrestricted Support and Revenues	1,437,939
OPERATING EXPENSES	
Health care	910,734
Management and general	449,680
Total Operating Expenses	1,360,414
CHANGE IN NET ASSETS	77,525
NET ASSETS - Beginning of year	(19,103)
NET ASSETS - End of year	\$ 58,422

*See Independent Auditors' Report for Disclaimer of Opinion.
The accompanying notes are an integral part of this financial statement.*

Common Ground Health Clinic, Inc.
Statement of Functional Expenses

For the Year Ended December 31,

2016

	Health Care	Management and General	Total Expenses
EXPENSES			
Accounting fees	\$ -	\$ 18,645	\$ 18,645
Bank fees	-	375	375
Biohazard and trash removal	3,373	5,059	8,432
Depreciation	-	2,932	2,932
Insurance	68,277	6,703	74,980
Lab testing and diagnostics	23,537	-	23,537
Licenses and membership dues	-	9,275	9,275
Loss on disposal of property and equipment	-	25,180	25,180
Office expenses	-	20,415	20,415
Patient billing services	50,171	-	50,171
Postage	-	1,822	1,822
Professional fees and contract labor	-	89,042	89,042
Rent	25,344	1,056	26,400
Repairs and maintenance	14,468	2,355	16,823
Salaries, related payroll taxes and benefits	660,806	175,657	836,463
Supplies	4,115	7,641	11,756
Travel, conferences, and staff development	19,322	-	19,322
Utilities	3,570	21,929	25,499
Equipment lease/rental	5,150	8,403	13,553
Other	32,601	53,191	85,792
Total Expenses	\$ 910,734	\$ 449,680	\$ 1,360,414

*See Independent Auditors' Report for Disclaimer of Opinion.
The accompanying notes are an integral part of this financial statement.*

Common Ground Health Clinic, Inc.
Statement of Cash Flows

<i>For the Year Ended December 31,</i>	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 77,525
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	2,932
Loss on disposal of property and equipment	25,180
Change in operating assets and liabilities:	
Accounts receivable	24,622
Prepays and other assets	19,480
Accounts payable and accrued liabilities	24,762
Net cash provided by (used in) operating activities	174,501
Net change in cash and cash equivalents	174,501
Cash and cash equivalents, at the beginning of year	53,594
Cash and cash equivalents, at the end of year	\$ 228,095

*See Independent Auditors' Report for Disclaimer of Opinion.
The accompanying notes are an integral part of this financial statement.*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Common Ground Health Clinic, Inc. (the Clinic) is a community-based, non-profit clinic that provides high quality health care for the greater New Orleans community and develops and provides programs to address community health care needs through collaborative partnerships. In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic relies primarily on federal, state, and city programs as well as private sources and various grants for on-going financial support for the operation of the Clinic.

The Clinic was founded on September 9, 2005, just days after Hurricane Katrina devastated the Gulf Coast. The Clinic became a registered 501(c)(3) tax exempt organization in April 2006. During 2018, the Clinic lost their 501(c)(3) tax exempt status due to late filing of the 2015, 2016, and 2017 Form 990 filings required by the Internal Revenue Service. The Clinic subsequently filed the 990s and requested retroactive reinstatement of their 501(c)(3) tax exempt status. As of January 30, 2019, the Clinic has not received confirmation of the reinstatement of their 501(c)(3) tax exempt status.

In 2013, the Clinic launched the Old Algiers Harvest Fresh Market in collaboration with several partnering organizations, and was awarded Federally Qualified Health Center (FQHC) status.

The Clinic is governed by a Board of Directors, all of whom may serve a term of one, two, or three years.

Basis of Reporting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when liabilities are incurred.

Basis of Presentation

The Clinic classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted net assets according to externally (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Clinic are included in this category. The Clinic has determined that any donor-imposed restrictions for current or developing programs and activities met within the operating cycle of the Clinic are recorded as unrestricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily restricted net assets include realized gains and losses, investment income, gifts, and contributions for which donor-imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. There were no permanently restricted net assets as of December 31, 2016.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Clinic considers all investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable, net

Patient receivables are recorded net of contractual allowances and bad debt allowances. Management estimates contractual allowances in accordance with the reimbursement rates in the contractual arrangements. Management estimates bad debt allowances based upon management's assessment of historical and expected net collections, business and economic conditions, and other collection indicators. The primary uncertainty lies within uninsured patient receivables and deductibles, co-payments, and other amounts due from individual patients. Patient receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received.

Property and Equipment, net

Leasehold improvements, furniture, and equipment of the Clinic are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Leasehold improvements, furniture, and equipment are depreciated over the shorter of the estimated useful life of the asset or the lease term. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: leasehold improvements 5 to 7 years; furniture and equipment 3 to 10 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Medicare, Medicaid, and patient revenues are reported at the estimated net realizable amounts for services rendered. Revenues received under government grant programs are recognized when earned. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated Services and Medical Supplies

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Clinic. Donated medical supplies are recorded as received and include medications and related medical supplies donated to the Clinic.

Incentive Revenue

The Clinic receives incentive payments from various pharmacies for the treatment of patients with particular health conditions. Payments are remitted to the clinic by the pharmacy. The Clinic records the revenue at the time of receipt as that is when they become aware that the patient qualifies for the incentive. Incentive revenues for the year ended December 31, 2016 included in other income totaled \$139,449.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on actual amounts or management's best estimate.

Compensated Absences

The Clinic allows three months compensated sick leave to carry over from any prior fiscal year. Unused compensated absences are paid out to employees on a case-by-case basis based solely on management's discretion, and thus are not estimable for financial statement reporting purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Clinic has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Management believes there are no uncertain tax positions included in the financial statements.

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.

Recently Issued Financial Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. This ASU will be effective for the year ending June 30, 2019. The Clinic has not elected to early adopt this standard. Management is reviewing the impact that this standard will have on the financial statements and related disclosures.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers: Topic 606, to supersede nearly all existing revenue recognition guidance under United States GAAP. In August 2015, the FASB deferred the effective date for implementation of ASU 2014-09 by one year and will be effective for the year ending June 30, 2020. The Clinic has not elected to early adopt this standard. Management is reviewing the impact that this standard will have on the financial statements and related disclosures.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Clinic maintains its cash in a bank deposit account at a financial institution. The current balance covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) is \$250,000 for interest bearing accounts and non-interest bearing accounts alike.

Common Ground Health Clinic, Inc.
Notes to Financial Statements

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

The bank balances for the Clinic, at times, may exceed federally insured limits. Management has not experienced any losses in the past, and does not believe the Clinic is exposed to a significant amount of credit risk. The Clinic had no uninsured funds as of December 31, 2016.

NOTE 3 - LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT

As of December 31, 2016, such assets and related accumulated depreciation consisted of the following:

	2016
Leasehold improvements	\$ 27,600
Furniture and equipment	125,125
Less: Accumulated depreciation	(143,335)
Total Property and Equipment, net	\$ 9,390

NOTE 4 - LINE OF CREDIT

On May 30, 2013, the Clinic executed a \$20,000 line of credit agreement with a bank that matured June 1, 2018 bearing an interest rate of 2.0% plus the U.S. prime rate, which was 5.5% at December 31, 2016. There was no outstanding balance at December 31, 2016. No interest was paid during 2016.

NOTE 5 - GRANT REVENUES

In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic has applied for and has been awarded various grants from both governmental and private programs as described below.

Health Resources and Services Administration (HRSA) Grant – In November 2013, the Clinic was awarded a HRSA grant totaling \$758,333 for the project period November 1, 2013 through December 31, 2018 administered by the U.S. Department of Health and Human Services, which reimburses specified operational expenses associated with the care of the Medicare, Medicaid, and uninsured populations. On August 4, 2014, this grant was increased to \$810,931. On November 27, 2015, this grant was increased to \$1,744,350. On December 15, 2016, this grant was increased to \$1,780,517. On May 24, 2018, this grant was increased to \$1,989,040.

NOTE 6 - PATIENT REVENUES

The Clinic provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana's Department of Health and Hospitals and the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided.

Common Ground Health Clinic, Inc.
Notes to Financial Statements

NOTE 6 - PATIENT REVENUES (CONTINUED)

As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare, Medicaid, and the Medicaid Greater New Orleans Community Health Connection (GNOCHC) waiver program (see additional information in Note 9 regarding GNOCHC). The Clinic also has agreements with other third party payors that provide for payments to the Clinic at amounts different from its established billing rates.

The Medicare intermediary for Medicare patients reimburses for services rendered to Medicare program beneficiaries under an all-inclusive rate for each visit that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on the Clinic's financial statements.

Most of the Clinic's patients are Greater New Orleans residents insured under third-party payer agreements. The mix of revenues from third-party payers for the year ended December 31, 2016 was as follows:

Medicaid	57%
Medicare	2%
Other insurance	3%
Self pay	38%
<hr/>	
Total	100%

In addition to the Medicare, Medicaid, and grant programs, the Clinic also provides healthcare to patients who do not qualify for these programs at a discounted cost. For the year ended December 31, 2016 the Clinic recognized \$110,334 in net patient revenues related to these patients.

NOTE 7 - LEASES

During the year ended December 31, 2016, the Clinic had rent and leasing expense related to its medical and administrative office space for \$26,400. The rent and lease agreements are renewed annually.

The Clinic leases various types of equipment for its operations, which are included in office expenses. The lease agreements expire between June 2016 and December 2020.

Future minimum lease obligations are as follows for the years ending December 31:

		10,465
2017		10,465
2018		10,465
2019		1,385
2020		1,385
<hr/>		
Total	\$	32,780

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Clinic is a recipient of several grants and awards of federal, state, and private foundation funds. These grants and awards are governed by various federal, state, and private foundation guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the contract and administration of the Clinic and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

The Clinic participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the Clinic for claims in excess of \$100,000 and up to \$500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to \$500,000 per occurrence. The Clinic purchased commercial insurance that provides coverage for medical malpractice up to \$2,000,000 per claim and \$2,000,000 in the aggregate in excess of the Fund limits. There were no medical malpractice cases outstanding as of December 31, 2016.

During 2017, the Clinic settled a lawsuit with its former CEO and CFO to pay out the remainder of their 2016 contracts. As of December 31, 2016, \$23,468 is included in accounts payable and was paid during 2017.

NOTE 9 - ECONOMIC DEPENDENCY

The primary source of revenue for the Clinic is federal, state and local grants and contracts provided through various funding agencies. The continued success of the Clinic is dependent upon renewal of contracts from current funding sources as well as the Clinic's ability to obtain new funding.

The state Medicaid program (GNOCHC) was originally scheduled to end on December 31, 2013 but was extended through June 30, 2016. Effective July 1, 2016, the State of Louisiana expanded Medicaid which would provide service to the GNOCHC population under the traditional Medicaid model. During the year ended December 31, 2016, the Clinic received 66% of its revenue from the GNOCHC program.

NOTE 10 - DEFINED CONTRIBUTION PLAN

All full-time employees meeting the minimum age and years of service requirements are covered by a defined contribution plan under the provisions of the Internal Revenue Code Section 401(k). Eligible employees who wish to participate are allowed to contribute up to maximum limits imposed by law of their annual compensation. The Clinic makes matching contributions of the employees' contribution up to the first 6% contributed for each participating employee. The Clinic incurred \$13,441 during the year ended December 31, 2016 for administrative costs and matching contributions.

NOTE 11 - SUBSEQUENT EVENTS

On May 1, 2018, the Clinic opened a second location at 441 Wall Boulevard in order to provide services to the Gretna, Louisiana area.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 30, 2019, and determined that, except as noted above and in Notes 1, 5 and 8, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Supplementary Information

Common Ground Health Clinic, Inc.
Schedule of Compensation, Benefits, and Other
Payments to Chief Executive Officer

Agency Head Name: Chief Executive Officer

Purpose	Preston Wright January - April	Ava Hines April - June	Carleetha Smith June - December
Salary	\$ 40,421	\$ 42,213	\$ 16,933
Severance	10,937	-	-
Benefits-insurance	-	-	-
Benefits-retirement	3,806	2,617	1,050
Benefits-medicare	744	612	246
Benefits-worker's compensation	-	-	-
Benefits-unemployment	-	-	-
Cell phone and iPad dues	-	-	-
Uniforms	-	-	-
Per diem	-	-	-
Reimbursements-advertising	-	-	-
Travel	753	212	-
Fuel usage	-	-	-
Conference travel	-	-	-
Continuing professional education fees	-	-	-
Housing	-	-	-
Unvouchered expenses	-	-	-
Special meals	823	-	-
Total	\$ 57,484	\$ 45,654	\$ 18,229

See Independent Auditors' Report for Disclaimer of Opinion.



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 837-9116
(504) 837-0123 (fax)
www.CRIcpa.com

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

To the Board of Directors of
Common Ground Health Clinic, Inc.
New Orleans, Louisiana

We were engaged to audit, 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 Common Ground Health Clinic, Inc. (a nonprofit organization) (the Clinic), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 30, 2019. Our report disclaims an opinion on such financial statements because we were unable to obtain necessary support to reconcile and audit net patient revenues and receivables, accrued expenses, and property and equipment, which in turn impacted our ability to audit cash and expenses of the Clinic as well, because of the volume of turnover in management and accounting staff during the year ended December 31, 2016. We were unable to obtain sufficient appropriate audit evidence about the areas mentioned above through application of other auditing procedures.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clinic's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness.

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 Clinic'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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

Compliance and Other Matters

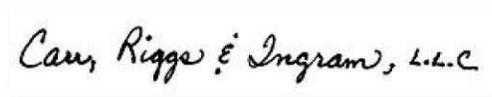
In connection with our engagement to audit the financial statements of the Clinic, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statements, other instances of noncompliance or other matter may have been identified and reported herein.

Common Ground Health Clinic, Inc.'s Response to Findings

The Clinic's response to the findings identified in our engagement is described in the accompanying views of responsible officials and planned corrective actions starting on page 35. The Clinic'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 results of that testing, and not to provide an opinion on the effectiveness of the Clinic'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 Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



January 30, 2019



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 837-9116
(504) 837-0123 (fax)
www.CRIcpa.com

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

To the Board of Directors of
Common Ground Health Clinic, Inc.
New Orleans, Louisiana

Report on Compliance for the Major Federal Program

We were engaged to audit Common Ground Health Clinic, Inc.'s (the Clinic) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Clinic's major federal program for the year-ended December 31, 2016. The Clinic's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our adverse opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Clinic's compliance.

Basis for Adverse Opinion on the Health Center Program Cluster

As described in the accompanying schedule of findings and questioned costs, Common Ground Health Clinic, Inc. did not comply with requirements regarding CFDA #93.224, Health Center Program Cluster, as described in finding numbers 2016-003, 2016-007, and 2016-008 for Program Income, 2016-004 and 2016-008 for Allowable Activities and Costs, 2016-006 for Reporting and 2016-008 for Cash Management, Period of Performance, and Procurement/Suspension/Debarment. Compliance with such requirements is necessary, in our opinion, for Common Ground Health Clinic, Inc. to comply with the requirements applicable to that program.

Adverse Opinion on the Health Center Program Cluster

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, Common Ground Health Clinic, Inc. did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Centers Program for the year ended December 31, 2016.

Common Ground Health Clinic Inc.'s responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan starting on page 35. The Clinic's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Clinic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Clinic's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-005 to be a material weakness.

The Clinic's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan starting on page 35. The Clinic's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Carly Riggs & Ingram, L.L.C.

January 30, 2019

Common Ground Health Clinic, Inc. Schedule of Expenditures of Federal Awards

Federal Grantor/ Pass through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)	Amount Passed through to Subrecipient	Total Federal Expenditures (\$)
Department of Health and Human Services Direct Programs					
Health Center Program Cluster					
Consolidated Health Centers (Community Health Centers, Migrant Health Centers. Health Care for the Homeless, and Public Housing Primary Care Centers)	93.224		\$ 926,252	\$ -	\$ 926,252
Total Expenditures of Federal Awards			\$ 926,252	\$ -	\$ 926,252

See accompanying Independent Auditors' Report.



Common Ground Health Clinic, Inc.
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures from federal awards of Common Ground Health Clinic, Inc. All federal awards were received directly from Federal agencies.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Clinic and is presented on the accrual basis of accounting.

NOTE 3 – DE MINIMIS COST RATE

During the year ended December 31, 2016, the Clinic did not elect to use the 10% de minimis cost rate.

NOTE 4 - LOAN

The Clinic did not expend federal awards related to loans or loan guarantees during the year ended December 31, 2016. The Clinic had no loans outstanding at the year ended December 31, 2016.

NOTE 5 - FEDERALLY FUNDED INSURANCE

The Clinic has no federally funded insurance.

NOTE 6 - NONCASH ASSISTANCE

The Clinic did not receive any federal noncash assistance for the year ended December 31, 2016.

NOTE 7 - RECONCILIATION

The federal grant revenues included in the SEFA of the Clinic, are included on the Statements of Activities for the year end December 31, 2016 under the caption Grants – governmental. Included in the balance with the federal grant revenues, are other state and local grants totaling \$20,408.

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

PART I – SUMMARY OF AUDITOR’S RESULTS

1. Type of report issued on the financial statements: **Disclaimer of Opinion**
2. Did the audit disclose any reportable conditions in internal control: **Yes**
3. Were any of the reportable conditions material weaknesses: **Yes**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization: **Yes**
5. Did the audit disclose any reportable conditions in internal control over the major program: **Yes**
6. Were any of the reportable conditions in internal control over major programs material weaknesses: **Yes**
7. Type of report issued on compliance for major programs: **Adverse**
8. Did the audit disclose any audit findings which the independent auditors are required to report in accordance with Section 200.516 of the Uniform Guidance: **Yes**
9. The following is an identification of the major program:

<u>Health Center Program Cluster, CFDA #93.224</u>	<u>\$926,252</u>
---	-------------------------
10. The dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**
11. Auditee qualified as a low-risk auditee under Section 200.520 of Uniform Guidance: **No**

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2016-001 – Material Weakness: Inaccurate Financial Close and Reporting Process (Originated in 2013)

Criteria:	The Clinic should have a system of internal control over financial reporting to ensure accurate financial reporting, including reporting on the schedule of expenditures of federal awards.
Condition:	The Clinic has undergone numerous changes in management and accounting personnel since 2013. These changes have resulted in inconsistencies in controls over the monthly and yearly financial close process and the compilation of the schedule of expenditures of federal awards.
Cause:	The Clinic did not have policies and procedures in place to ensure proper recording, monitoring, and maintenance of support for critical accounting processes.
Effect:	Without adequate internal controls over financial reporting, including compilation of the schedule of expenditures of federal awards, the Clinic's financial information may contain material misstatements.
Recommendation:	The Clinic should implement the policies, procedures, and internal controls sufficient to ensure accurate financial reporting, including reporting on the schedule of expenditures of federal awards.
Response:	See corrective action plan starting on page 35.

Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs

2016-002 – Timely Submission of Annual Audit Report (Originated in 2015)

Criteria:	Louisiana state statute 24:511 – 24:559, Louisiana Audit Law, states that quasi-public entities with more than \$500,000 in revenue must submit their audited annual financial reports to the Louisiana Legislative Auditor within six (6) months of the close of the auditee’s fiscal year.
Condition:	The Clinic did not remit the annual audited financial statement to the Louisiana Legislative Auditor within 6 months after year-end as required by Louisiana state statute 25:5411 – 24:2559.
Cause:	The Clinic had turnover of several key management positions which caused the submission of the annual audit report to be filed late.
Effect:	Late submission causes the auditee to be put on the non-compliance list and can result in withholding of state and/or federal pass-through funding to the auditee.
Recommendation:	The Clinic should implement policies and procedures to ensure timely filing of any and all required reports.
Response:	See corrective action plan starting on page 35.

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-003 – Failure to Correctly Apply Sliding Fee Scale (Originated in 2014)

Title and CFDA Number of Federal Program: CFDA 93.224 – Health Center Program Cluster

Federal Award Identification Number and Year: 6 H80CS26580 / 2016

Name of Federal Agency: Department of Health and Human Services

Criteria:	42 USC 254b(k)(3)(G)(i) requires the Clinic to utilize a sliding fee scale and apply it uniformly to all eligible patients.
Condition:	Patients whose income is at or below 100% of the federal poverty guidelines pay a nominal fee of \$20 to \$40 based on household size. The Clinic has not ensured that the scale is applied equally to all eligible patients. The Clinic had not implemented procedures to ensure that all eligible patients are given the appropriate sliding fee discount.
Cause:	The Clinic has not implemented procedures to ensure that the sliding fee scale is applied to all eligible patients uniformly.
Effect:	This could result in improper application of sliding fee scale and improper program income.
Questioned Costs:	Unknown
Recommendation:	The Clinic should implement procedures to ensure the sliding fee scale is applied uniformly to all patients in accordance with 42 USC 254b(k)(3)(G)(i).
Response:	See corrective action plan starting on page 35.

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

2016-004 – Failure to Provide Required Primary Health Services (Originated in 2014)

Title and CFDA Number of Federal Program: CFDA 93.224 – Health Center Program Cluster

Federal Award Identification Number and Year: 6 H80CS26580 / 2016

Name of Federal Agency: Department of Health and Human Services

- Criteria:** 42 USC 254b(b)(1)(A)(i)(I) requires that the Clinic provide all required services which include basic health services related to family medicine, internal medicine, and pediatrics. The Clinic is also required to provide preventive health services which include prenatal and perinatal services, appropriate cancer screening, well-child services, and immunizations and dental screenings under 42 USC 254b(b)(1)(A)(i)(III) and diagnostic laboratory and radiological services under 42 USC 254b(b)(1)(A)(i)(II).
- Condition:** In 2016, The Clinic did not provide pediatric care, diagnostic laboratory/radiology, immunizations, well child services, obstetrical care, or preventive dental as required for the entire period.
- Cause:** The Clinic did not formalize memoranda of agreements (MOAs) and did not have credentialed providers for the services not offered.
- Effect:** Inability to provide these services could result in possible recapture of grant awards.
- Questioned Costs:** \$926,252
- Recommendation:** The Clinic should develop a plan to ensure all required activities under 42 USC 254b(b)(1)(A)(i)(I), 42 USC 254b(b)(1)(A)(i)(II) and 42 USC 254b(b)(1)(A)(i)(III) are provided by the Clinic or that MOAs are in place for those activities not able to be provided by the Clinic.
- Response:** See corrective action plan starting on page 35.

Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs

2016-005 – Material Weakness: Lack of Appropriate Monitoring of Federal Disbursements (Originated in 2014)

Title and CFDA Number of Federal Program: CFDA 93.224 – Health Center Program Cluster

Federal Award Identification Number and Year: 6 H80CS26580 / 2016

Name of Federal Agency: Department of Health and Human Services

Criteria:	2 CFR 200.303 requires that a non-Federal entity “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”
Condition:	The Clinic did not adequately establish and maintain effective internal controls as required by 2 CFR 200.303.
Cause:	Significant changes in management throughout the period caused a lack of maintenance of effective internal controls.
Effect:	Lack of effective internal controls could cause federal funds to be used for unallowable activities and/or costs.
Questioned Costs:	Unknown
Recommendation:	The Clinic should comply with 2 CFR 200.303 and establish and maintain effective internal controls over Federal award programs.
Response:	See corrective action plan starting on page 35.

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

2016-006 – Timely submission of Federal Audit Clearinghouse Filing (Originated in 2015) and Required UDS Universal Report and SF-425 Report

Title and CFDA Number of Federal Program: CFDA 93.224 – Health Center Program Cluster

Federal Award Identification Number and Year: 6 H80CS26580 / 2016

Name of Federal Agency: Department of Health and Human Services

- Criteria:** 2 CFR 200 requires that non-Federal entities that expend \$750,000 or more in a year in Federal awards must submit their audited annual financial reports and the data collection form to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor’s report, or nine (9) months of the close of the auditee’s fiscal year. The Uniform Data System Reporting Instructions for 2016 Health Center Data requires the Clinic to submit the UDS Universal Report by February 15, and the SF-425 Federal Financial Report Instructions requires the Clinic to submit the SF-425 Report no later than 90 days after the end of each reporting period.
- Condition:** The Clinic did not remit the annual audited financial statements and the data collection form to the Federal Audit Clearinghouse within 9 months after year-end as required by the Uniform Guidance. The Clinic did not remit the UDS Universal Report by February 15 and the SF-425 Federal Financial Report within ninety days after year-end.
- Cause:** Significant changes in management caused the submission of the annual audit report, data collection form, UDS Universal Report, and SF-425 to be filed late.
- Effect:** Late submission causes the Clinic to be put on the non-compliance list and can result in withholding of federal pass-through funding.
- Questioned Costs:** Unknown
- Recommendation:** The Clinic should implement policies and procedures to ensure timely filing of any and all required reports.
- Response:** See corrective action plan starting on page 35.

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

2016-007 – Lack of Reasonable Collection Efforts

Title and CFDA Number of Federal Program: CFDA 93.224 – Health Center Program Cluster

Federal Award Identification Number and Year: 6 H80CS26580 / 2016

Name of Federal Agency: Department of Health and Human Services

Criteria:	42 USC 254b(k)(3)(F) and (G)(ii)(II) requires the Clinic to make every reasonable effort to collect appropriate reimbursement for their costs in providing health services to persons eligible for medical assistance.
Condition:	The Clinic could not provide records of billings or receivable postings for five cumulative months during the period.
Cause:	Significant changes in management caused a gap in the billings and receivable monitoring during the period.
Effect:	Inability to comply with significant requirements of the grant could result in possible recapture of grant awards.
Questioned Costs:	Unknown
Recommendation:	The Clinic should implement policies and procedures to ensure timely billing and related monitoring of receivables for health services.
Response:	See corrective action plan starting on page 35.

**Common Ground Health Clinic, Inc.
Schedule of Findings and Questioned Costs**

2016-008 – Material Noncompliance: Lack of retention of records

Title and CFDA Number of Federal Program: CFDA 93.224 – Health Center Program Cluster

Federal Award Identification Number and Year: 6 H80CS26580 / 2016

Name of Federal Agency: Department of Health and Human Services

Criteria:	2 CFR 200.333 requires that “financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.” Additionally, “if any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.” Also, 2 CFR 200.403(g) requires costs charged to federal programs to be adequately documented.
Condition:	The Clinic could not provide significant supporting documents pertinent to performance of audit procedures for an audit started before the expiration of the 3-year period.
Cause:	Significant changes in management caused a loss/misplacement of significant records pertinent to performance of the audit procedures.
Effect:	Inability to comply with significant requirements of 2 CFR 200 could result in possible recapture of grant awards.
Questioned Costs:	\$926,252
Recommendation:	The Clinic should implement policies and procedures to ensure appropriate retention of pertinent records in accordance with 2 CFR 200.333 and 2 CFR 200.403(g).
Response:	See corrective action plan starting on page 35.

**Common Ground Health Clinic, Inc.
Summary Schedule of Prior Audit Findings**

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2015-001 – Material weakness in financial close and reporting process (Originated in 2013)

Finding: The Clinic has undergone numerous changes in management and accounting personnel since 2013. These changes have resulted in inconsistencies in controls over the monthly and yearly financial close process. This turnover resulted in the Clinic not being able to timely provide the supporting documentation required to complete the audit of the financial statements within the time required by the Louisiana Legislative Auditor (6 months after year end).

Response: According to the financial policy and procedures manual under the general accounting section titled cycle, the financial close is performed on a monthly basis before the monthly board meeting. Since October 2016, with the onboarding of the new CEO and CFO, we have maintained and presented the financials in a timely manner to the Board of Directors.

Status: Not resolved. See current year finding 2016-001.

2015-002 – Timely submission of Annual Audit Report (Originated in 2015)

Finding: The Clinic did not remit the annual audited financial statement to the Louisiana Legislative Auditor within 6 months after year-end as required by Louisiana state statute 25:5411 – 24:2559.

Response: As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who have are working with the external CPA to get all past due audits filed. Resolving finding 2015-001 above is expected to resolve this finding as well for 2018's audit.

Status: Not resolved. See current year finding 2016-002.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-003 – Failure to Correctly Apply Sliding Fee Scale (Originated in 2014)

Finding: Patients whose income is at or below 100% of the federal poverty guidelines pay either a nominal fee of \$20 for a household size of one, to an upward range of \$40 for a household size of eight. The Clinic has not insured that the scale is applied equally to all eligible patients. The Clinic had not implemented procedures to ensure that all eligible patients are given the appropriate sliding fee discount.

Response: Upon the indication of failure to correctly apply the sliding fee scale as per grant requirement, the patient financial assessment and sliding fee scale eligibility policy and procedure has been implemented since January 2016. The sliding fee scale has been posted in the clinic in English as well as Spanish, and all eligible patients are given the sliding fee discount.

Status: Not resolved. See current year finding 2016-003.

2015-004 – Failure to Provide Required Primary Health Services (Originated in 2014)

Finding: The Clinic did not provide pediatric care, diagnostic laboratory/radiology, immunizations, well child services, obstetrical care, or preventive dental as required.

Response: During the September 2017 site visit, the program requirement of provision of required primary health services was not met. It was not met due to not having proper contractual relationships in place for provision of services or referral for services when the health center did not provide the services itself. Common Ground Health Clinic for required services either now directly provides them, has contracted with another provider to provide them and pays for them, or has written referral arrangements in place that conform to the requirements of the grant. This compliance has been demonstrated with HRSA.

Status: Not resolved. See current year finding 2016-004.



**Common Ground Health Clinic, Inc.
Schedule of Prior Audit Findings**

2015-005 – Material Weakness In Monitoring of Federal Disbursements (Originated in 2014)

Finding: The Clinic did not adequately implement the policies, procedures, and related internal controls in regards to cash disbursements and payroll as required by their grant. The board has engaged a third party CPA to, among other things, review internal controls and implement recommendations to strengthen internal controls over the procurement process and payroll process. Additionally a full time CFO was hired in December 2014 to oversee the grant expenditure process. In October 2014, controls were implemented over all cash disbursements.

Response: The Clinic implemented the policies, procedures, and controls that were drafted in late 2014 and implemented in 2015 under the general accounting section of properly tracking and monitoring grant expenditures. Blackbaud Accounting System is being implemented to properly track expenditures.

Status: Not resolved. See current year finding 2016-005.

2015-006 – Timely submission to Federal Audit Clearinghouse (Originated in 2015)

Finding: The Clinic did not remit the annual audited financial statements and the data collection form to the Federal Audit Clearinghouse within 9 months after year-end as required by the Uniform Guidance.

Response: As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who have are working with the external CPA to get all past due audits filed. Resolving finding 2015-001 above is expected to resolve this finding as well for 2018's audit.

Status: Not resolved. See current year finding 2016-006.



Corrective Action Plan

January 30, 2019

Common Ground Health Clinic respectfully submits the following corrective action plan for the year ended December 31, 2016.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC

111 Veterans Boulevard

Suite 350

Metairie, LA 70005

Audit Period:

Fiscal Year January 1, 2016 – December 31, 2016

The findings from the January 30, 2019 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and questioned costs.

2016-001 – Material weakness: Inaccurate financial close and reporting process (Originated in 2013)

1400 TECHE STREET NEW ORLEANS, LA 70114
441 WALL BLVD GRETN. LA 70056
(504)361-9800 (C) (504) 366-9836 (F)
WEBSITE: www.cghcnola.org



Recommendation: The Clinic should implement the policies, procedures, and internal controls sufficient to ensure accurate financial reporting.

Action Taken: The Board of Directors quickly identified an Executive Director in October 2016 and hired a reputable third party CPA to review internal controls and implement recommendations to strengthen internal controls over the financial close and reporting process. Common Ground Health Clinic created and implemented policies and procedures in 2016, 2017 and has continued to do in 2018. Each year these policies and procedures are reviewed for relevance, amended, and updated as necessary.

Responsible Party: Carleetha Smith, CEO

Estimated Completion Date: December 2017



2016-002– Timely submission of Annual Audit Report (Originated in 2015)

Recommendation: The Clinic should implement policies and procedures to ensure timely filing of any and all required reports.

Action Taken: The Clinic has taken this recommendation into consideration and began the process of building a policy and procedure for completing and submitting the Clinic’s annual audit report. As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who are working with the external CPA to complete and file all past due audits. Resolving finding 2016-001 is expected to resolve finding as well for 2018’s audit.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: March 2019

2016-003 – Failure to Correctly Apply Sliding Fee Scale (Originated in 2014)

Recommendation: The Clinic should implement procedures to ensure the sliding fee scale is applied uniformly to all patients.

Action Taken: Upon the indication of failure to correctly apply the sliding fee scale as per grant requirement, the patient financial assessment and sliding fee scale eligibility policy and procedure has been implemented since January 2016. The sliding fee scale has been posted in the Clinic in English as well as Spanish, and all eligible patients are given the sliding

1400 TECHE STREET NEW ORLEANS, LA 70114
441 WALL BLVD GRETN. LA 70056
(504)361-9800 (C) (504) 368-9836 (F)
WEBSITE: www.eghcnola.org



fee discount. The policy was amended in 2018 to comply with the federal guidelines for sliding fee scale. The policy was reconstructed by an outside consultant for CGHC.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2016-004 – Failure to Provide Required Primary Health Services (Originated in 2014)

Recommendation: The Clinic should develop a plan to ensure all required activities are provided by the Clinic or that MOAs are in place for those activities not able to be provided by the Clinic.

Action Taken: The Clinic added these services in 2017. A GYN provider was added in 2017 and a family provider and pediatrician was added in 2018 to comply with these HRSA requirements. During the September 2017 HRSA site visit, the program requirement of provision of required primary health services was not met due to not having the proper contractual relationships in place for provision of services or referral for services when the Clinic did not provide the services itself. Common Ground Health Clinic either directly provides required services, has contracted with another provider to provide them, or has written referral arrangements in place that conform to the requirements of the grant. This compliance has been demonstrated with HRSA.

Responsible Party: Carleetha Smith, CEO

Dr. Michele Kautzman, CMO
1400 TECHE STREET NEW ORLEANS, LA 70114
441 WALL BLVD GRETN, LA 70056
(504) 361-9800 (C) (504) 368-9836 (F)
WEBSITE: www.oghonola.org



Estimated Completion Date: December 2017

2016-005 – Material Weakness: Lack of Appropriate Monitoring of Federal Disbursements (Originated in 2014)

Recommendation: The Clinic should comply with 2 CFR 200.303 and establish and maintain effective internal controls over Federal award programs.

Action Taken: The Clinic completed the financial policies and procedures manual in 2016 to assure proper control and compliance regarding federal awards. According to the general accounting section of the financial policies and procedures manual, the financial close is performed on a monthly basis before the board meeting. Since October 2016, with the onboarding of the new CEO and CFO, we have maintained and presented the financials in a timely manner to the Board of Directors. This policy will be reviewed and amended if necessary in 2019.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2016-006 – Timely submission to Federal Audit Clearinghouse (Originated in 2015)

1400 TECHE STREET NEW ORLEANS, LA 70114
441 WALL BLVD GRETNA, LA 70656
(504) 351-9800 (C) (504) 368-9836 (F)
WEBSITE: www.eghcnola.org



Recommendation: The Clinic should implement policies and procedures to ensure timely filing of any and all required reports.

Action Taken: The Clinic has taken this recommendation into consideration and began the process of building a policy and procedure for completing and submitting the Clinic's annual audit report to the Federal Audit Clearinghouse. The Clinic implemented the policies, procedures, and controls that were drafted in late 2014 and implemented in 2015 under the general accounting section of properly tracking and monitoring grant expenditures. As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who are working with the external CPA to complete and file all past due audits. Resolving finding 2016-006 is expected for 2018's audit.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: June 2019

2016-007 – Lack of Reasonable Collection Efforts

Recommendation: The Clinic should implement policies and procedures to ensure timely billing and related monitoring of receivables for health services.

Action Taken: In April 2016, the CEO and CFO were terminated. The Clinic's biller took FMLA shortly thereafter. Due to the drastic transition in 2016, the Clinic underwent several changes, implemented several policies in 2016 and 2017, and continued to update those policies in 2018. One of those policies was a current and efficient sliding fee scale policy. The Clinic

1400 TECHE STREET NEW ORLEANS, LA 70114
441 WALL BLVD GRETNA, LA 70056
(504)361-9800 (C) (504) 368-9836 (F)
WEBSITE: www.oghonola.org



outsourced most of the billing in 2017 and later transitioned to an experienced in-house biller in November 2017. Since the onboarding of the in-house biller, the Clinic's collection efforts have improved drastically.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2016-008 – Material Noncompliance: Lack of retention of records

Recommendation: The Clinic should implement policies and procedures to ensure appropriate retention of pertinent records in accordance with 2 CFR 200.333.

Action Taken: In 2018, the Clinic contracted its IT support contractor to implement a back-up server to store and secure files. The Clinic has also implemented a policy to utilize a shared drive to store all pertinent files. These files are shared through a cloud-based system. All essential staff and personnel are granted access to these files as necessary. The Clinic is still working on installing an in-house back-up server.

Responsible Party: Carleetha Smith, CEO

Estimated Completion Date: September 2019

1400 TECHE STREET NEW ORLEANS, LA 70114
441 WALL BLVD GRETNA, LA 70056
(504)361-9800 (C) (504) 368-9836 (F)
WEBSITE: www.oghcnola.org