

**SAVOY MEDICAL MANAGEMENT GROUP, INC.**  
MAMOU, LOUISIANA

(A COMPONENT UNIT OF THE  
TOWN OF MAMOU, LOUISIANA)

**Financial Report**

**Year Ended December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Savoy Medical Management Group, Inc.  
Mamou, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Savoy Medical Management Group, Inc. (a nonprofit health care entity), a component unit of the Town of Mamou, consisting of Savoy Medical Center Operations Fund and Town of Mamou Building Fund, which comprise the statement of financial position as of December 31, 2017, and the related statements of operations, changes in net assets, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Savoy Medical Management Group, Inc. as of December 31, 2017, and the results of its operations, changes in its net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The comparative statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, on our consideration of Savoy Medical Management Group, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Savoy Medical Management Group, Inc.'s internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
June 20, 2018

## **FINANCIAL STATEMENTS**

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Statement of Financial Position  
December 31, 2017

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 490,411	\$ 5,684	\$ 496,095
Patient accounts receivable, net	2,118,359	-	2,118,359
Estimated third-party payor settlements	1,107,332	-	1,107,332
Other receivables	86,182	-	86,182
Inventory	551,450	-	551,450
Prepaid expenses	74,418	-	74,418
Total current assets	4,428,152	5,684	4,433,836
Property, plant and equipment, net	1,984,675	3,333,212	5,317,887
Deposits	1,828	-	1,828
Total assets	\$ 6,414,655	\$ 3,338,896	\$ 9,753,551
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 787,834	\$ -	\$ 787,834
Accrued salaries and payroll taxes	674,784	-	674,784
Estimated third-party payor settlements	800,579	-	800,579
Current portion of long-term debt	353,516	-	353,516
Total current liabilities	2,616,713	-	2,616,713
Long-term liabilities:			
Long-term debt	245,441	-	245,441
Total liabilities	2,862,154	-	2,862,154
Net assets:			
Unrestricted	3,552,501	3,338,896	6,891,397
Total liabilities and net assets	\$ 6,414,655	\$ 3,338,896	\$ 9,753,551

The accompanying notes are an integral part of this statement.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Statement of Operations and Changes in Net Assets  
Year Ended December 31, 2017

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
Revenue (unrestricted):			
Net patient service revenue (net of provision for bad debts of \$950,481)	\$ 20,483,583	\$ -	\$ 20,483,583
Other operating revenues	<u>1,167,716</u>	<u>108,254</u>	<u>1,275,970</u>
Total revenues	<u>21,651,299</u>	<u>108,254</u>	<u>21,759,553</u>
Expenses:			
Salaries and wages	7,910,336	-	7,910,336
Employee benefits	1,574,111	-	1,574,111
Professional fees	475,252	4,400	479,652
Supplies	4,062,037	120	4,062,157
Utilities	936,088	-	936,088
Contract services	920,858	-	920,858
Insurance	535,303	-	535,303
Rents and leases	417,698	-	417,698
Repairs and maintenance	433,586	103,746	537,332
Interest expense	46,745	-	46,745
Intergovernmental transfer - access grants	5,250,000	-	5,250,000
Depreciation	<u>548,094</u>	<u>125,971</u>	<u>674,065</u>
Total expenses	<u>23,110,108</u>	<u>234,237</u>	<u>23,344,345</u>
Operating loss	(1,458,809)	(125,983)	(1,584,792)
Nonoperating revenues (expenses):			
Interest income	<u>2,296</u>	<u>8</u>	<u>2,304</u>
Change in unrestricted net assets	(1,456,513)	(125,975)	(1,582,488)
Net assets, beginning	<u>5,009,014</u>	<u>3,464,871</u>	<u>8,473,885</u>
Net assets, ending	<u>\$ 3,552,501</u>	<u>\$ 3,338,896</u>	<u>\$ 6,891,397</u>

The accompanying notes are an integral part of this statement.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Statement of Cash Flows  
Year Ended December 31, 2017

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
Cash flows from operating activities:			
Operating loss	\$ (1,458,809)	\$ (125,983)	\$ (1,584,792)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	548,094	125,971	674,065
Provision for bad debts	950,481	-	950,481
Increase in accounts receivable	(735,352)	-	(735,352)
Decrease in third party payer receivables	1,067,701	-	1,067,701
Increase in other receivables	(7,262)	-	(7,262)
Decrease in inventory	20,868	-	20,868
Increase in prepaid expenses	(3,351)	-	(3,351)
Increase in deposits	(300)	-	(300)
Decrease in accounts payable	(24,018)	-	(24,018)
Increase in accrued salaries and payroll taxes	67,111	-	67,111
Net cash provided (used) by operating activities	<u>425,163</u>	<u>(12)</u>	<u>425,151</u>
Cash flows from investing activities:			
Interest earned on interest-bearing deposits	2,296	8	2,304
Purchase of property and equipment	<u>(558,829)</u>	<u>-</u>	<u>(558,829)</u>
Net cash provided (used) by investing activities	<u>(556,533)</u>	<u>8</u>	<u>(556,525)</u>
Cash flows from financing activities:			
Proceeds from capital leases	326,562	-	326,562
Principal paid on notes payable	(625,839)	-	(625,839)
Principal paid on capital leases	<u>(134,499)</u>	<u>-</u>	<u>(134,499)</u>
Net cash used by financing activities	<u>(433,776)</u>	<u>-</u>	<u>(433,776)</u>
Net decrease in cash and cash equivalents	(565,146)	(4)	(565,150)
Cash and cash equivalents, beginning of year	<u>1,055,557</u>	<u>5,688</u>	<u>1,061,245</u>
Cash and cash equivalents, end of year	<u>\$ 490,411</u>	<u>\$ 5,684</u>	<u>\$ 496,095</u>
Supplemental disclosures:			
Interest paid	<u>\$ 46,745</u>	<u>\$ -</u>	<u>\$ 46,745</u>

The accompanying notes are an integral part of this statement.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Organization and Purpose

The Town of Mamou (Town) is the sole member of Savoy Medical Management Group, Inc. (Organization). The Organization, a component unit of the Town, is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of managing and operating a quality, cost effective health care facility for patients of the communities located in Evangeline Parish. The Town owns the Savoy Medical Center located in Mamou, Louisiana, which is operated by the Organization.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Patient Accounts Receivable

Patient accounts receivable are stated at net realizable value. The Organization maintains allowance for uncollectible accounts and for estimated losses resulting from a payer's inability to make payments on accounts. The Organization estimates the allowance for uncollectible accounts based on management's assessment of historical and expected net collections considering historical and current business and economic conditions, trends in healthcare coverage, and other collections indicators. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

E. Inventory

Inventory, consisting primarily of pharmaceuticals and other medical supplies, are stated at the lower of cost, using an average cost method, or fair value.

F. Property and Equipment

The Organization's capitalization policy is \$5,000 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over useful lives of the assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Typical useful lives are 7 to 40 years for buildings and improvements and 4 to 15 years for equipment and furniture.

G. Revenue and Expense Recognition

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per admission or visit, reimbursed costs, discounted charges, and per diem rates. Net patient revenue is recognized at the time the services are provided at the estimated net amount due from patients and third-party payors for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted, as needed, in future periods. The Organization also provides care to self-pay patients. The revenue on services provided to these patients are recognized at the time services are rendered. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

H. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, the organization's tax-exempt status has no effect on its liability for any federal excise taxes. Accounting principles generally accepted in the United States of America require the organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2014.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

I. Compensated Absences

The Organization allows employees annual leave based on years of service. Upon termination of employment, an employee is paid for the value of any accrued leave through the date of separation at their current rate of pay. At December 31, 2017, the accrued compensated absences amounted to \$387,692, which is included in accrued salaries and payroll taxes in the statement of financial position.

J. Advertising Expense

Advertising costs are expensed as incurred. Total advertising expense was \$3,192 for the year ended December 31, 2017.

K. Use of Estimates

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

(2) Cash and interest-bearing deposits

As of December 31, 2017, the Organization had cash and interest-bearing deposits in the amount of \$496,096. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Organization's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) as of December 31, 2017 are secured as follows:

Bank balances	<u>\$ 727,773</u>
Federal deposit insurance	505,434
Pledged securities	<u>222,339</u>
Total	<u>\$ 727,773</u>

Deposits in the amount of \$222,339 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Organization's name. The Organization does not have a policy for custodial credit risk.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

(3) Patient Accounts Receivable

Patient accounts receivable at December 31, 2017 consisted of the following:

Medicare	\$ 1,043,874
Medicaid	468,130
Other third-party payors	1,131,815
Patients	<u>1,921,169</u>
	4,564,988
Less: allowance for uncollectible accounts	<u>(2,446,629)</u>
	<u>\$ 2,118,359</u>

(4) Estimated Third-Party Settlements

The estimated third-party payors settlements receivable consisted of the following at December 31, 2017:

Cost Report Year:	Medicare	Medicaid	Uncompensated Care Cost (UCC)	Total
2017	\$ 193,583	\$(460,999)	\$ 913,749	\$ 646,333
2016	-	(339,580)	-	(339,580)
	<u>\$ 193,583</u>	<u>\$(800,579)</u>	<u>\$ 913,749</u>	<u>\$ 306,753</u>

(5) Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2017:

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Total
Land	\$ -	\$ 430,000	\$ 430,000
Buildings and improvements	1,628,607	18,722,013	20,350,620
Equipment	4,569,324	2,471,663	7,040,987
Furniture	<u>308,551</u>	<u>27,061</u>	<u>335,612</u>
Total property, plant and equipment	6,506,482	21,650,737	28,157,219
Less: Accumulated depreciation	<u>(4,521,807)</u>	<u>(18,317,525)</u>	<u>(22,839,332)</u>
Net property, plant and equipment	<u>\$ 1,984,675</u>	<u>\$ 3,333,212</u>	<u>\$ 5,317,887</u>

Depreciation expense charged to operations amounted to \$548,094 and \$125,971 Savoy Medical Center's Operations Fund and Town of Mamou Building Fund, respectively, for the year ended December 31, 2017.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

Savoy Medical Center Operations Fund leases equipment with a cost basis of \$863,183 under a capital lease. The depreciation for the year ended December 31, 2017 on these assets is \$155,185, and the accumulated depreciation balance at December 31, 2017 is \$388,639.

(6) Changes in Long-Term Debt

The following is a summary of changes for the year ended December 31, 2017:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Savoy Medical Center Operations Fund:					
Notes payable	\$ 828,088	\$ -	\$ (625,839)	\$ 202,249	\$ 202,249
Capital leases	<u>204,645</u>	<u>326,562</u>	<u>(134,499)</u>	<u>396,708</u>	<u>151,267</u>
Total long-term debt	<u>\$1,032,733</u>	<u>\$ 326,562</u>	<u>\$ (760,338)</u>	<u>\$ 598,957</u>	<u>\$ 353,516</u>

Long-term debt at December 31, 2017 is comprised of the following individual issues:

Savoy Medical Center Operations Fund:

Notes Payable -

\$706,747 note payable to Louisiana Department of Health, dated March 27, 2017 due in one beginning payment of \$100,000 and then monthly installments of \$50,563 through April 15, 2018, bearing no interest. \$ 202,249

Capital Leases -

\$35,000 capital lease payable to CHRISTUS Health Northern Louisiana, dated November 1, 2015, due in monthly installments of \$1,073 through October 31, 2018, interest at 6.5%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$19,833. \$ 10,415

\$333,611 capital lease payable to Med One Capital Funding, LLC, dated July 1, 2014, due in monthly installments of \$6,690 through July 1, 2019, interest at 7.532%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$55,602. 113,536

\$98,127 capital lease payable to Marlin Business Bank, dated December 15, 2016, due in monthly installments of \$1,813 through December 15, 2021, interest at 4.136%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$80,137. 80,088

(continued)

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

\$22,563 capital lease payable to Siemens Financial Services, Inc., dated December 15, 2016, due in monthly installments of \$458 through December 15, 2021, interest at 8.021%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$18,427.	18,742
\$169,800 capital lease payable to Olympus Financial Services, dated April 15, 2017, due in monthly installments of \$3,924 through April 15, 2021, interest at 5.172%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$148,575.	143,878
\$36,071 capital lease payable to Olympus Financial Services, dated April 15, 2017, due in monthly installments of \$3,924 through April 15, 2021, interest at 5.124%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$31,562.	<u>30,049</u>
Total capital leases	<u>\$ 396,708</u>

Scheduled maturities of long-term debt as of December 31, 2017 are as follows:

Year Ending December 31,	Savoy Medical Center Operations Fund					
	Notes Payable		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 202,249	\$ -	\$ 151,267	\$ 18,575	\$ 353,516	\$ 18,575
2019	-	-	122,510	9,277	122,510	9,277
2020	-	-	80,865	4,241	80,865	4,241
2021	-	-	42,066	879	42,066	879
Total	<u>\$ 202,249</u>	<u>\$ -</u>	<u>\$ 396,708</u>	<u>\$ 32,972</u>	<u>\$ 598,957</u>	<u>\$ 32,972</u>

(7) Net Patient Service Revenue

Outpatient services are reimbursed based on fee schedules provided by Medicare/Medicaid and other insurance companies. Billings are adjusted in order to reflect amounts to be reimbursed. Net patient service revenue consisted of the following at December 31, 2017:

Gross patient charges	\$92,951,751
Less: Contractual allowances and discounts	<u>(71,517,687)</u>
Patient service revenue (net of contractual allowances and discounts)	21,434,064
Less: Provision for bad debts	<u>(950,481)</u>
Net patient service revenue (net of provision for bad debt)	<u>\$20,483,583</u>

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

(8) Operating Leases

The Organization entered into various operating leases for copiers commencing from 2012 through 2017 with terms ranging from 36 to 60 months. Future minimum lease payments due under the lease terms are as follows:

<u>Year Ending December 31,</u>	
2018	\$237,727
2019	170,310
2020	154,370
2021	<u>16,910</u>
	<u>\$579,317</u>

Operating lease expense amounted to \$265,935 for the year ended December 31, 2017.

(9) Functional Expenses

The Organization provides general health care services to residents within its geographic location. For the year ended December 31, 2017, expenses related to providing these services were as follows:

Health care services	\$ 22,697,499
General, administrative, and other	<u>412,609</u>
Total functional expenses	<u>\$ 23,110,108</u>

(10) Pension Plan

The Organization has a 401(k) profit sharing plan (a defined contribution plan), established in February, 2010, which covers substantially all employees who are eighteen years of age or older with at least two consecutive months of service. The Plan, as amended, complies with the applicable provisions of the Employee Retirement Income Security Act of 1974. The employer may make matching contributions or profit sharing contributions at their discretion based on board approval. The Organization did not contribute to the Plan for the year ended December 31, 2017.

(11) Intergovernmental Transfer Grants

The Organization entered into a Low Income and Needy Care Collaboration Agreement on July 31, 2013 with other hospitals in the region. The purpose of the agreement is to ensure that low income and needy patients have access to and receive quality hospital services by increasing funding for the Medicaid population and to access funding to which the hospitals are eligible under Medicaid supplemental payments. For the year ended December 31, 2017, the Organization provided intergovernmental transfer grants to other Hospitals in the amount of \$5,250,000.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

(12) Fair Value Measurements

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, patient accounts receivable, estimated third-party payor settlements, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(13) Town of Mamou Building Fund

Prior to January 1, 2011, the operations of the Town of Mamou Building Fund were reported in the Savoy Cancer Center, Inc.'s (Center) financial statements. Effective January 1, 2011, the operations of Center were transferred to the Savoy Medical Center, which is operated by the Organization. As a result, the financial position and the changes in net assets and cash flows of the Town of Mamou Building Fund are reported in the financial statements of the Organization.

(14) Special Services Management Agreement

On February 15, 2015, the Organization entered into a Special Services Management Agreement with Evangeline Clinical Services. The purpose of the agreement is to gain managerial and administrative expertise in the delivery and operations of hospitals and to clinically integrate with CHRISTUS Health Central Louisiana (CHRISTUS) network of physicians, clinics and hospitals, in order to improve access, quality, availability and efficiency of care for residents of the community. CHRISTUS will administer the day-to-day operations of the hospital, subject to any required approvals and operational oversight from the Organization. In exchange for the services and cost incurred, the Organization will pay \$10,000 per month and an amount equal to each fiscal year's undisbursed operating revenue as defined by the contract. The term of this agreement is for an initial fifteen years and shall automatically continue thereafter for an additional term of five years. In accordance with the terms of the agreement, the Organization paid a management fee in the amount of \$120,000 for the year ended December 31, 2017.

(15) Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2017 is as follows:

Medicare	45.8%
Medicaid	18.6%
Other third-party payors	34.7%
Patients	<u>0.9%</u>
	<u>100.0%</u>

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

(16) Risk Management

The Organization is exposed to risks of loss in the areas of general liability, management liability and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(17) Contingencies

The Organization evaluates contingencies based upon the best available evidence. The Organization believes that no loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Organization's estimates, future earnings will be charged or credited.

Third-party Government Revenues – Cost reimbursements are subject to examination by agencies administering the programs. The Organization is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Management believes that the Organization is in compliance with fraud and abuse statutes as well as other applicable governmental laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

(18) Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2017.

The Organization recognizes revenue for the Medicare and Medicaid EHR incentive payments when the Organization is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. EHR incentive payment revenue totaling \$460,287 was received from Medicare for the year ended December 31, 2017. This revenue is included in other revenue in the accompanying statement of activities. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the Organization's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements (Continued)

(19) Compensation, Benefits, and Other Payments to Agency Head

The Organization's agency head did not receive any compensation, benefits, or other payments from public funds for the year ended December 31, 2017.

(20) Subsequent Event Review

The Organization's management has evaluated subsequent events through June 20, 2018, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana  
Savoy Medical Center Operations Fund

Comparative Statement of Financial Position  
December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 490,411	\$ 1,055,557
Patient accounts receivable, net	2,118,359	2,333,488
Estimated third-party payor settlements	1,107,332	1,474,298
Other receivables	86,182	78,920
Inventory	551,450	572,318
Prepaid expenses	74,418	71,067
Total current assets	4,428,152	5,585,648
Property, plant and equipment, net	1,984,675	1,973,940
Deposits	1,828	1,528
Total assets	<b>\$ 6,414,655</b>	<b>\$ 7,561,116</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 787,834	\$ 510,985
Accrued expenses	-	300,867
Accrued salaries and payroll taxes	674,784	607,673
Estimated third-party payor settlements	800,579	99,844
Current portion of long-term debt	353,516	691,234
Total current liabilities	2,616,713	2,210,603
Long-term liabilities:		
Long-term debt	245,441	341,499
Total liabilities	2,862,154	2,552,102
Net assets:		
Unrestricted	3,552,501	5,009,014
Total liabilities and net assets	<b>\$ 6,414,655</b>	<b>\$ 7,561,116</b>

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana  
Savoy Medical Center Operations Fund

Comparative Statement of Activities  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue (unrestricted):		
Net patient service revenue (net of provision for bad debts of \$950,481 2017 and \$4,396,528 2016)	\$ 20,483,583	\$ 21,283,373
Other operating revenues	<u>1,167,716</u>	<u>1,294,693</u>
Total revenues	<u>21,651,299</u>	<u>22,578,066</u>
Expenses:		
Salaries and wages	7,910,336	7,488,052
Employee benefits	1,574,111	1,490,239
Professional fees	475,252	447,060
Supplies	4,062,037	4,196,067
Utilities	936,088	1,026,434
Contract services	920,858	835,649
Insurance	535,303	519,701
Rents and leases	417,698	414,900
Repairs and maintenance	433,586	400,681
Interest expense	46,745	54,399
Intergovernmental transfer - access grants	5,250,000	5,700,000
Depreciation and amortization	<u>548,094</u>	<u>475,469</u>
Total expenses	<u>23,110,108</u>	<u>23,048,651</u>
Operating loss	<u>(1,458,809)</u>	<u>(470,585)</u>
Nonoperating revenues (expenses):		
Other income	-	3,110,267
Interest income	<u>2,296</u>	<u>1,919</u>
Total nonoperating revenues (expenses)	<u>2,296</u>	<u>3,112,186</u>
Change in unrestricted net assets	(1,456,513)	2,641,601
Net assets, beginning	<u>5,009,014</u>	<u>2,367,413</u>
Net assets, ending	<u>\$ 3,552,501</u>	<u>\$ 5,009,014</u>

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana  
Savoy Medical Center Operations Fund

Schedule of Net Patient Service Revenue  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Gross patient charges	<u>\$ 92,951,751</u>	<u>\$ 93,395,246</u>
Less:		
Contractual allowances	(71,227,935)	(67,261,410)
Discounts	(289,752)	(453,935)
Uncollectible accounts	<u>(950,481)</u>	<u>(4,396,528)</u>
Total contractual allowances, discounts and uncollectible accounts	<u>(72,468,168)</u>	<u>(72,111,873)</u>
Net patient service revenue	<u>\$ 20,483,583</u>	<u>\$ 21,283,373</u>

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana  
Savoy Medical Center Operations Fund

Schedule of Other Operating Revenues  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Other operating revenues:		
Cafeteria	\$ 138,979	\$ 121,002
Vending machine commissions	13,846	16,164
Rent income	492,617	499,986
Medical record transcripts	2,000	2,098
Electronic health records incentive payment	460,287	639,156
Miscellaneous	<u>59,987</u>	<u>16,287</u>
Total other operating revenues	<u>\$ 1,167,716</u>	<u>\$ 1,294,693</u>

**INTERNAL CONTROL, COMPLIANCE**

**AND**

**OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Victor R. Slaven, CPA\*  
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INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

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\* A Professional Accounting Corporation

Board of Directors  
Savoy Medical Management Group, Inc.  
Mamou, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Savoy Medical Management Group, Inc. (a nonprofit health care entity), a component unit of the Town of Mamou, which comprise the statement of financial position as of December 31, 2017, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2018.

## Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2018-001 2018-002 to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Savoy Medical Management Group, Inc.'s financial statements are free of 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*

## Savoy Medical Management Group, Inc.'s Response to Findings

Savoy Medical Management Group, Inc.'s response to the finding identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. Savoy Medical Management Group, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
June 20, 2018

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended December 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
<u>CURRENT YEAR (12/31/17) --</u>						
<u>Internal Control:</u>						
2017-001	2012	Due to the small number of employees involved in accounting operations, the Organization did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	No response is considered necessary.	N/A	N/A
2017-002	2017	The Organization's bank reconciliation for their operating account did not properly identify reconciling items during the fiscal year beginning with the month of March 2017. As a result, the bank reconciliation did not properly reconcile the general ledger cash balance. Management should ensure that bank reconciliations are performed timely and accurately.	No	Procedures will be implemented to ensure amounts being used on the bank reconciliation are accurate. Additionally, any differences between the general ledger cash balance and the bank reconciliation book balance will be investigated and corrected in a timely manner.	Brian LaHaye, Controller	12/31/2018

Compliance:

There were no findings that were required to be reported.

PRIOR YEAR (12/31/16) --

Internal Control:

2016-001	2012	Due to the small number of employees involved in accounting operations, the Organization did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	No response is considered necessary.	N/A	N/A
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Compliance:

There were no findings that were required to be reported.

**SAVOY MEDICAL MANAGEMENT GROUP, INC.**

Mamou, Louisiana

Agreed-Upon Procedures Report

Year Ended December 31, 2017

# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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To the Board of Directors of  
Savoy Medical Management Group, Inc.  
Mamou, Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Savoy Medical Management Group, Inc. (Organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Organization's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

---

1. We obtained the Organization's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the Organization does not have any written policies and procedures), as applicable:
  - 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) the 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**, including receiving, recording, and preparing deposits.
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- 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.
- 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 Organization's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***Board (or Finance Committee, if applicable)***

---

- 2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
  - a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Reported whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Organization's prior audit (GAAP-basis).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, reported whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, reported whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

***Bank Reconciliations***

---

- 3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
- 4. Using the listing provided by management, we selected all of the Organization's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and reported whether:
  - a) Bank reconciliations have been prepared;

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

### ***Collections***

---

- 5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
- 6. Using the listing provided by management, we selected all of the Organization's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). For each cash collection location selected:
  - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and reported whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and reported whether the Organization has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - Using the Organization's collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported the number of days from receipt to deposit for each day at each collection location.
    - Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections are completely supported by documentation and report any exceptions.
- 7. We obtained existing written documentation (e.g. policy manual, written procedure) and reported whether the Organization has a process specifically defined (identified as such by the Organization) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

### ***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

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- 8. We obtained a listing of the Organization's disbursements from management or, alternately, obtained the general ledger and sorted/filtered for the Organization's disbursements. We obtained management's representation that the listing or general ledger population is complete.

9. Using the disbursement population from #8 above, we randomly selected 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the Organization had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using the Organization's documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the person responsible for processing payments is prohibited from adding vendors to the Organization's purchasing/disbursement system.
11. Using the Organization's documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed the Organization's documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, we inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. We reported any exceptions.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

14. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the Organization has less than 10 cards) that were used during the fiscal period, rotating cards each year.

We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) We reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
  - b) We reported whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, we reported whether the transaction is supported by:
    - An original itemized receipt (i.e., identifies precisely what was purchased).
    - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
  - b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Organization's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.
  - c) For each transaction, we compared the Organization's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

### ***Travel and Expense Reimbursement***

---

17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
18. We obtained the Organization's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and reported any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) We compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Organization does not have written policies, we compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.

- b) We reported whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.
  - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) We compared the Organization's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse).
- d) We reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

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20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for contract payments. We obtained management's representation that the listing or general ledger is complete.
21. Using the listing above, we selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
- a) We reported whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, we obtained/compared supporting contract documentation to legal requirements and reported whether the Organization complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
    - If no, we obtained supporting contract documentation and reported whether the Organization solicited quotes as a best practice.
  - c) We reported whether the contract was amended. If so, we reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
  - d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.

- e) We obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

### ***Payroll and Personnel***

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- 22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly select five employees/officials, obtained their personnel files, and:
  - a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and reported whether those changes were approved in writing and in accordance with written policy.
- 23. We obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly selected one-third of employees/officials if the Organization had less than 25 employees during the fiscal period), and:
  - a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
  - b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - c) Reported whether there is written documentation that the Organization maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
- 24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
- 25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We reported whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

### ***Ethics (excluding nonprofits)***

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- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and reported whether the Organization maintained documentation to demonstrate that required ethics training was completed.

27. We inquired of management whether any alleged ethics violations were reported to the Organization during the fiscal period. If applicable, we reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Organization's ethics policy. We reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, we obtained supporting documentation from the Organization, and reported whether State Bond Commission approval was obtained.
29. If the Organization had outstanding debt during the fiscal period, we obtained supporting documentation from the Organization and reported whether the Organization made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the Organization had tax millages relating to debt service, we obtained supporting documentation and reported whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, we reported any millages that continue to be received for debt that has been paid off.

***Other***

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31. We inquired of management whether the Organization had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and reported whether the Organization reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Organization is domiciled.
32. We observed and reported whether the Organization has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If we observed or otherwise identified any exceptions regarding management's representations in the procedures above, we reported the nature of each exception.

**Exceptions:**

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No exceptions were found as a result of applying the procedures listed above except:

**Written Policies:**

1. The Organization does not have written policies and procedures relative to budgeting.
2. The Organization does not have written policies and procedures addressing how vendors are added to the purchase orders/vendors list, controls to ensure compliance with the public bid law, or documentation required to be maintained for all bids and price quotes.
3. The Organization does not have written policies and procedures addressing payroll processing, reviewing and approving time and attendance records, and leave and overtime worked.
4. The Organization does not have written policies and procedures addressing the types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process.

**Bank Reconciliations:**

5. The Organization's bank reconciliations did not include evidence of review by a member of management or a board member.

**Collections:**

6. The person collecting cash is not bonded for each of the three locations selected for testing.
7. There was one day of cash collections that was deposited within two days.

**Disbursements:**

8. The Organization does not have written documentation indicating that the person responsible for processing payments is prohibited from adding vendors to disbursement system.

**Contracts:**

9. The Organization did not solicit quotes for contracts that did not meet the requirements of the bid law.
10. The Organization incurred late fees/finance charges on one of the contracts selected for testing.

**Other:**

11. The Organization does not have the notices required by R.S. 24:523.1 posted on its website.

***Management's Response:*** Management of Savoy Medical Management Group, Inc. concurs with the exceptions and are working to address the exceptions identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
June 20, 2018