

**SWLA CENTER
FOR HEALTH SERVICES
Lake Charles, Louisiana**

**Financial and Compliance Report
May 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying statements of SWLA Center for Health Services, (a non-profit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities, functional expenses, and cash flows for the fiscal 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SWLA Center for Health Services as of May 31, 2018, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the SWLA Center for Health Services' May 31, 2017 financial statements and my report dated October 18, 2017, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended May 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and the Schedule of Compensation, Benefits and Other Payments, is presented for purposes of additional analysis and is 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 my 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*, I have also issued my report dated November 19, 2018, on my consideration of SWLA Center for Health Services' internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 SWLA Center for Health Services' internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
November 19, 2018

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position
As of May 31, 2018
With Summarized Comparative Totals as of May 31, 2017

Assets	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,524,012	\$ 868,351
Patient accounts receivable, net	2,259,956	2,992,786
Other receivables	103,363	26,770
Supplies inventory	44,358	54,220
Prepaid expenses	167,450	150,237
Total Current Assets	4,099,139	4,092,364
Property, Plant and Equipment		
Furniture and equipment	4,691,689	4,587,405
Building and improvements	12,791,209	12,791,209
Automobiles	82,437	82,437
	17,565,335	17,461,051
Less accumulated depreciation	(8,181,370)	(7,541,273)
	9,383,965	9,919,778
Land	953,584	953,584
Construction in progress	906,415	110,566
Net Property, Plant and Equipment	11,243,964	10,983,928
Other Assets		
Other assets - ACO	7,000	-
Total Other Assets	7,000	-
Total Assets	\$ 15,350,103	\$ 15,076,292

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Financial Position (Continued)
As of May 31, 2018
With Summarized Comparative Totals as of May 31, 2017

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 662,006	\$ 419,538
Accrued vacation and payroll	665,797	654,085
Payroll taxes payable	54,488	50,696
Capital lease obligation payable	-	31,587
Construction loan payable	35,841	-
	<u>1,418,132</u>	<u>1,155,906</u>
Net Assets		
Unrestricted net assets	13,931,971	13,920,386
Total Net Assets	<u>13,931,971</u>	<u>13,920,386</u>
	 <u>\$ 15,350,103</u>	 <u>\$ 15,076,292</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Activities
For the Year Ended May 31, 2018
With Summarized Comparative Totals for the Year Ended May 31, 2017

	<u>2018</u>	<u>2017</u>
Revenue and Support - Unrestricted		
Revenue:		
Gross patient service revenue	\$ 17,885,678	\$ 15,739,596
Less: contractual allowances and discounts	(5,627,600)	(4,660,360)
	<u>12,258,078</u>	<u>11,079,236</u>
Less: provision for uncollectible accounts	(1,548,894)	(1,344,912)
Net patient service revenue	<u>10,709,184</u>	<u>9,734,324</u>
340 B program income	<u>283,220</u>	<u>105,539</u>
 Total Revenue	 <u>10,992,404</u>	 <u>9,839,863</u>
 Support and other income:		
Grant awards	5,223,552	5,262,446
Contributions	18,913	29,602
Interest and dividend income	24,928	1,824
In-kind donations	313,213	318,392
Other income	<u>808,403</u>	<u>733,398</u>
 Total Support	 <u>6,389,009</u>	 <u>6,345,662</u>
 Total Revenue and Support - Unrestricted	 <u>17,381,413</u>	 <u>16,185,525</u>
 Expenses		
Program services	10,575,484	9,931,022
General and administrative	<u>6,794,344</u>	<u>5,947,604</u>
 Total Expenses	 <u>17,369,828</u>	 <u>15,878,626</u>
 Change in Net Assets - Unrestricted (Revenues over Expenses)	 <u>11,585</u>	 <u>306,899</u>
 Unrestricted Net Assets - Beginning of Year	 <u>13,920,386</u>	 <u>13,613,487</u>
 Unrestricted Net Assets - End of Year	 <u>\$ 13,931,971</u>	 <u>\$ 13,920,386</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Statements of Cash Flows
For the Year Ended May 31, 2018
With Summarized Comparative Totals for the Year Ended May 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 11,585	\$ 306,899
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	640,097	694,677
Change in allowance for doubtful accounts	1,276,029	1,292,038
(Increase) decrease in accounts receivable	(543,199)	(2,674,296)
Other	(79,801)	63,832
(Increase) decrease in supplies inventory	9,862	9,234
(Increase) decrease in prepaid expenses	(17,213)	(14,504)
Increase (decrease) in accounts payable	242,468	211,745
Increase (decrease) in accrued vacation and payroll	11,712	155,937
Increase (decrease) in other payables	-	(29,271)
	<u>1,551,540</u>	<u>16,291</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Fixed asset acquisitions	<u>(900,133)</u>	<u>(508,075)</u>
Net Cash Provided (Used) by Investing Activities	<u>(900,133)</u>	<u>(508,075)</u>
Cash Flows From Financing Activities		
Proceeds from loans	35,841	46,279
Payments on capital lease obligation	(31,587)	(14,691)
Principal payments on loans	-	(480,641)
	<u>4,254</u>	<u>(449,053)</u>
Net Cash Provided (Used) by Financing Activities		
	655,661	(940,837)
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning of Year	<u>868,351</u>	<u>1,809,188</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,524,012</u>	<u>\$ 868,351</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 7,530</u>	<u>\$ 33,319</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Functional Expenses
For the Year Ended May 31, 2018
With Summarized Comparative Totals for the Year Ended May 31, 2017

	Program Services	Supporting Services	Total	
		General and Administrative	2018	2017
Salaries	\$ 7,042,395	\$ 2,571,361	\$ 9,613,756	\$ 8,966,803
Fringe benefits	835,758	571,434	1,407,192	1,099,835
Payroll taxes	493,819	200,376	694,195	631,144
Consultants and contractual services	648,969	1,453,112	2,102,081	1,765,235
Supplies	906,466	147,971	1,054,437	954,825
Dues and subscriptions/printing	-	44,684	44,684	41,797
Maintenance and repairs	49,034	130,214	179,248	111,906
Telephone	-	205,990	205,990	168,430
Postage	-	24,791	24,791	11,128
Insurance	-	111,970	111,970	89,694
Travel, seminars and education	81,494	57,807	139,301	161,209
Taxes and licenses	8,061	25,454	33,515	32,300
Utilities	-	242,777	242,777	224,386
Interest	-	7,530	7,530	4,049
Legal and professional	-	145,795	145,795	179,362
Rent	-	81,935	81,935	87,380
In-kind donations (vaccines)	313,213	-	313,213	318,422
Miscellaneous	8,103	167,677	175,780	144,682
Service charges	-	56,027	56,027	31,333
Vehicle expense	-	18,979	18,979	16,191
Recruitment cost	76,535	-	76,535	143,838
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	10,463,847	6,265,884	16,729,731	15,183,949
Depreciation and amortization	111,637	528,460	640,097	694,677
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 10,575,484</u>	<u>\$ 6,794,344</u>	<u>\$ 17,369,828</u>	<u>\$ 15,878,626</u>

See accompanying notes to financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements
May 31, 2018

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

SWLA Center for Health Services (a nonprofit corporation) was incorporated May 1, 1978 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS). The Board of Directors of SWLA Center for Health Services serve the Organization without paid compensation.

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is included in the financial statements. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after they are filed.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Accounting Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$5,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	30
Equipment, furniture and fixtures	3 - 20
Vehicles	5

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2018

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounts Receivable

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

Allowance for Doubtful Accounts and Bad Debts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventory

Supply inventories are stated at lower of cost, determined by the FIFO method, or market.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2018

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Net Patient Service Revenue (Continued)

SWLA Center for Health Services has agreements with third-party payors that provide reimbursement to the Organization at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the SWLA Center for Health Services' rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare A – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

Medicare B – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.

Regular Medicaid and Medicaid Bayou Health – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

All Other Medicaid – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.

Commercial – Fee-For-Service – Reimbursed per contract or per payer's allowable fee schedule.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the grants and contributions are recognized.

Fair Values of Financial Instruments

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments as of May 31, 2018, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, certificate of deposits, accounts receivable, prepaid expenses, deposits, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

SWLA CENTER FOR HEALTH SERVICES
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 May 31, 2018

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Organization is deemed under the Federal Torts Claims Act for claims arising from malpractice and commercial insurance.

Major Funding Source

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the years ending May 31, 2018:

Medicare	\$	396,301
Medicaid		1,356,483
Private		1,908,777
		3,661,561
Less allowance for doubtful accounts		(1,401,605)
		\$ 2,259,956

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2018

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE (Continued)

The Organization's allowance for doubtful accounts for all payor types was calculated using an estimate of uncollectible accounts receivable based on aging. The allowance for doubtful accounts percentages did not change from the prior year's calculation. The Organization's write-offs, which primarily consisted of self-pay charges, totaled \$1,548,894 for the fiscal year May 31, 2018. During the fiscal year, the Organization automatically updated the patient's sliding fee application for changes to the current Federal Poverty Level guidelines.

NOTE 3 - COST REPORT RECEIVABLE

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

NOTE 4 - ACCRUED VACATION

The Organization allows employees to carry over unused vacation hours, with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At May 31, 2018, accrued vacation totaled \$331,806.

NOTE 5 - ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During the year ended May 31, 2018, SWLA Center for Health Services recorded \$5,033,354 in grant support from the Department of Health and Human Services. This represents 29% of total support and revenues for the year ended May 31, 2018. These funds are provided to subsidize charity services provided by the Organization.

NOTE 6 - PRIOR YEAR BALANCES

Certain prior year amounts may have been reclassified to conform to current year presentation.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC), based on balances and interest rate terms. Amounts held in financial institutions occasionally are in excess of Federal Deposit Insurance Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2018

NOTE 7 - CONCENTRATIONS OF CREDIT RISK (Continued)

The majority of the Organization's patients are located in Southwest Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors was as follows:

	<u>2018</u>
Medicare	18 %
Medicaid	60
Other	<u>22</u>
	<u>100 %</u>

The mix of net patient revenues was as follows:

	<u>2018</u>
Medicare	8 %
Medicaid	77
Other	<u>15</u>
	<u>100 %</u>

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

NOTE 9 - CHARITY CARE

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal year ending May 31, 2018 was \$1,653,637.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
May 31, 2018

NOTE 10-401(k) PLAN

The Organization sponsors a 401 (k) Plan covering substantially all of its employees. The employees may elect to make contributions pursuant to a salary reduction agreement upon meeting eligibility requirements. The Organization made matching contributions of \$296,728 for the year ended May 31, 2018.

NOTE 11-LEASES

The Organization (lessor) entered into a 24-month building lease dated December 13, 2017, commencing January 2018 and expiring January 2020, currently at \$1,250 per month. The office space leased is 1,250 square feet of the Organization's 26,000 square foot clinic building in Lafayette, Louisiana. Future minimum rentals for FYE May 2019 is \$15,000 and FYE May 2020 is \$10,000.

NOTE 12-PRIOR-YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2017, from which the summarized information was derived.

NOTE 13-IN-KIND DONATIONS

In-kind donations of \$313,213, represent the cost value of vaccines provided to SWLA. The vaccines were administered to qualifying children by SWLA staff.

NOTE 14-LITIGATION

The Organization is involved in litigation arising in the course of business. After consultation with legal counsel, no reliable evaluation of an unfavorable outcome or the estimated range of loss can be provided at this time.

NOTE 15-CONSTRUCTION IN PROGRESS

The Organization is constructing a new facility in Crowley, Louisiana. The estimated total cost is \$2,291,127. The capitalized costs through May 31, 2018 is \$795,849. The estimated completion date is November 2018.

NOTE 16-CONSTRUCTION LOAN PAYABLE

The Organization has a line of credit dated November 29, 2017 for a total amount \$1,021,023 for the purpose of constructing facility in Crowley, Louisiana. As of May 31, 2018, \$35,841 was payable. Interest at date of closing is 4.5%.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Notes to Financial Statements May 31, 2018

NOTE 17-SUBSEQUENT EVENT

The Organization evaluated its May 31, 2018 financial statements for subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SWLA CENTER FOR HEALTH SERVICES
Lake Charles, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2018

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U. S. Department of Health and Human Services					
Direct Programs:					
Community Health Center Section 330	93.224	H80CS00558	* 6/1/17 - 5/31/18	\$ 5,033,354	\$ 5,033,354
U. S. Department of Agriculture Passed through: Louisiana Department of Health and Hospitals: Office of Public Health					
	10.572		10/1/17 - 9/30/18	<u>117,608</u>	<u>117,608</u>
Total federal assistance				<u>\$ 5,150,962</u>	<u>\$ 5,150,962</u>

* Denotes major program

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of SWLA Center for Health Services and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirement contained by Title 2 of *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, *Cost Principles of Non-Profit Organizations*. The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements

The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

STEVEN M. DEROUEN & ASSOCIATES

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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*

Board of Directors

SWLA Center for Health Services

Lake Charles, Louisiana

I 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 SWLA Center for Health Services (a nonprofit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered SWLA Center for Health Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SWLA Center for Health Services' internal control. Accordingly, I do not express an opinion on the effectiveness of SWLA Center for Health Services' 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.

My 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. Given these limitations, during my audit I did not identify any

deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
November 19, 2018

STEVEN M. DEROUEN & ASSOCIATES

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

Board of Directors
SWLA Center for Health Services
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

I have audited SWLA Center for Health Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SWLA Center for Health Services' major federal programs for the year ended May 31, 2018. SWLA Center for Health Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of SWLA Center for Health Services' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 SWLA Center for Health Service's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of SWLA Center for Health Services' compliance.

Opinion on Each Major Federal Program

In my opinion, SWLA Center for Health Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2018.

Report on Internal Control Over Compliance

Management of SWLA Center for Health Services 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 SWLA Center for Health Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of SWLA Center for Health Services' internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
November 19, 2018

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	<u>X</u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u>X</u>	None reported
Noncompliance material to financial statements noted?	___	Yes	<u>X</u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	<u>X</u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u>X</u>	No
Type of auditor’s report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	___	Yes	<u>X</u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	US Department of Health and Human Services, Community Health Center Section 330

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes ___ No

SWLA CENTER FOR HEALTH SERVICES

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2018**

SECTION II – FINDINGS

None

SECTION III – Prior Year Findings and Questioned Costs

None

SWLA Center for Health Services, Inc.

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

May 31, 2018

Agency Head Name: Suzanne Foster, M.D., Interim Chief Executive Officer

NO COMPENSATION PAID FROM PUBLIC FUNDS

Purpose	Amount
Salary	\$0.00
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements – Auto Mileage Reimb	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

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**SWLA CENTER
FOR HEALTH SERVICES
Lake Charles, Louisiana**

**Financial and Compliance Report
May 31, 2018**

STEVEN M. DEROUEN & ASSOCIATES

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AGREED-UPON PROCEDURES REPORT

SWLA CENTER FOR HEALTH SERVICES

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF JUNE 1, 2017 THROUGH MAY 31, 2018

To the Board of Directors of SWLA Center for Health Services and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by SWLA Center for Health Services 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 June 1, 2017 through May 31, 2018. The Entity'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, I 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. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity 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 entity'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.

No observations.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report 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) Report 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 entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report 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, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report 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.

Not Applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity'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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report 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.

No observations.

Collections

5. Obtain 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, select all of the entity'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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report 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) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity 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) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report 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, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) 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.

Not applicable.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report 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 entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe 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 report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire 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. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Observation: The person responsible for processing payments can also add vendors to the purchasing/disbursements system.

Management's Response: As a compensating control, all checks (with supporting invoice present for review purposes) are signed by the CEO or CFO. All checks greater than \$5,000 shall also be signed by the Board Chairperson or Treasurer. The CFO also reviews all disbursement reports.

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

14. Obtain 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. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select 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) Report 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report 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, obtain 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, report 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, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity'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 report any exceptions.
 - c) For each transaction, compare the entity'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. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No observations.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain 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) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: 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 (Note: 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) Compare the entity'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). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select 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). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare 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, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No observations.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

23. Obtain 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, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain 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, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report 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.

Not applicable.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable.

Debt Service

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

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity 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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Not applicable.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

Steven M. DeRouen & Associates

November 19, 2018
Lake Charles, Louisiana