



Luther Speight & Company
Certified Public Accountants and Consultants

COMMON GROUND HEALTH CLINIC, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Common Ground Health Clinic, Inc. (a nonprofit organization) (the Clinic), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

Basis for Qualified Opinion

The Clinic did not maintain sufficient financial records during the audit period in support of patient revenues and the related receivables. Accordingly, we were unable to determine that the net patient revenues and related receivables reported at \$ 312,558 and \$18,254 respectively were free of material misstatements.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Common Ground Health Clinic, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

We draw attention to the *Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance* for which we issued an adverse opinion based on the Clinic's material non-compliance with requirements mandated by the *OMB Uniform Guidance*. This non-compliance could adversely affect the Clinic's future funding and/or recovery of amounts funded by the Grantor.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer* is required by Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 October 17, 2019, on our consideration of the Common Ground Health Clinic, 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 the Common Ground Health Clinic, Inc.'s internal control over financial reporting and compliance.



Luther Speight & Company CPAs
New Orleans, Louisiana
October 17, 2019

COMMON GROUND HEALTH CLINIC, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 376,748
Accounts receivable, net of allowance for bad debt and contractual allowance of \$55,594 and \$33,253, respectively	18,254
Prepaid expenses and other assets	<u>3,105</u>
Total Current Assets	<u>398,107</u>

PROPERTY AND EQUIPMENT, net

Land held for development	12,000
Leasehold improvements, furniture and equipment, net	<u>19,167</u>
Total Property and Equipment, net	<u>31,167</u>

TOTAL ASSETS

429,274

LIABILITIES & NET ASSETS

CURRENT LIABILITIES

Accounts Payable and accrued liabilities	<u>25,161</u>
Total Current Liabilities	<u>25,161</u>

NET ASSETS

Unrestricted	<u>404,113</u>
Total Net Assets	<u>404,113</u>

TOTAL LIABILITIES & NET ASSETS

\$ 429,274

The accompanying notes are an integral part of these financial statements.

COMMON GROUND HEALTH CLINIC, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

UNRESTRICTED SUPPORT AND REVENUES

Gross patient service revenue	\$ 312,558
(Less): Contracted allowances and provision for bad debts	<u>(63,011)</u>
Net patient service revenue	<u>249,547</u>
Grants - governmental	1,224,055
Grants - foundation, trust, and non-profit	264
Other income	<u>6,857</u>
Total Unrestricted Support and Revenues	<u>1,480,723</u>

OPERATING EXPENSES

Health care	746,014
Management and general	<u>629,453</u>
Total Operating Expenses	<u>1,375,467</u>

CHANGE IN NET ASSETS 105,256

PRIOR PERIOD ADJUSTMENT 7,538

NET ASSETS - Beginning of year 291,319

NET ASSETS - End of year \$ 404,113

The accompanying notes are an integral part of these financial statements.

COMMON GROUND HEALTH CLINIC, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 105,256
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	8,875
Change in operating assets and liabilities:	
Accounts receivable	(13,951)
Prepays and other assets	(741)
Accounts payable and accrued liabilities	<u>67,866</u>
Net cash provided by operating activities	<u>167,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Fixed Assets	<u>(18,652)</u>
Net cash (used in) Investing Activities	<u>(18,652)</u>
Net change in cash and cash equivalents	148,653
Cash and cash equivalents, at the beginning of year	<u>228,095</u>
Cash and cash equivalents, at the end of year	<u><u>\$ 376,748</u></u>

The accompanying notes are an integral part of these financial statements.

COMMON GROUND HEALTH CLINIC, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Health Care	Management and General	Total Expenses
Accounting Fees	\$ -	\$ 663	\$ 663
Bank fees	-	173	173
Biohazard and Trash Removal	9,999	-	9,999
Depreciation	-	8,875	8,875
Equipment Lease/ Rental	-	13,704	13,704
Insurance	40,833	16,961	57,794
Lab Testing and Diagnostics	14,200	-	14,200
Licenses and Membership dues	-	7,080	7,080
Miscellaneous	11,055	58,202	69,257
Office Expense	-	36,092	36,092
Patient Billing Services	28,873	-	28,873
Postage & delivery	-	1,255	1,255
Professional services and fees	-	76,753	76,753
Rent Expense	15,400	13,800	29,200
Repairs & maintenance	-	6,577	6,577
Salaries & related expenses	598,868	305,694	904,562
Supplies	20,122	5,980	26,102
Travel, Conferences, and Staff Development	6,664	45,868	52,532
Utilities	-	31,776	31,776
	<u>\$ 746,014</u>	<u>\$ 629,453</u>	<u>\$ 1,375,467</u>

The accompanying notes are an integral part of these financial statements.

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Nature of Operations

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

The Clinic was founded on September 9, 2005, just days after Hurricane Katrina. The Clinic became a registered 501(c) (3) tax exempt organization in April 2006. During 2018, the Clinic lost their 501(c) (3) tax exempt status due to late filing of the 2015, 2016 and 2017 Form 990 filings required by the Internal Revenue Service. The Clinic subsequently filed the 990s and received retroactive reinstatement of their 501(c) (3) tax exempt status.

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

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

2. Summary of Significant Accounting Policies

Basis of Reporting

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

Use of Estimates

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

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

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

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

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. There were no permanently restricted net assets as of December 31, 2017.

Cash and Cash Equivalents

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

Accounts Receivable, net

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

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment, net

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

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

Revenue Recognition

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

Donated Services and Medical Supplies

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

Incentive Revenue

The Clinic receives incentive payments from various pharmacies for the treatment of patients with particular health conditions. Payments are remitted to the Clinic by the pharmacy. The Clinic records the revenue at the time of receipt as that is when they become aware that the patient qualifies for the incentive. Incentive revenues for the year ended December 31, 2017 included in other income totaled \$1,330.

Compensated Absences

The Clinic allows forty (40) hours compensated sick leave to carry over from any prior fiscal year. Unused compensated absences are paid out to employees on a case-by-case basis solely on management's discretion, and thus are not estimable for financial statement reporting purposes.

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Income Taxes

The Clinic is a non-profit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies as an organization that is not a private foundation as defined in Section 509 (a) of the Code. It is exempt from Louisiana income tax under the Section 121(5) of Title 47 of the Louisiana Revised Statutes. The Clinic paid no federal income tax for the year ended December 31, 2017.

Recently Issued Financial Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. This ASU will be effective for the year ending December 31, 2018. The Clinic has not elected to early adopt this standard. Management is reviewing the impact that this standard will have on the financial statements and related disclosures.

In May 2014, the Financial Accounting Standards Board ("FASB" issued Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers: Topic 606, to supersede nearly all existing revenue recognition guidance under United States GAAP. In August 2015, the FASB deferred the effective date for implementation of ASU 2014-09 by one year and will be effective for the year ending December 31, 2018. The Clinic has not elected to early adopt this standard. Management is reviewing the impact that this standard will have on the financial statements and related disclosures.

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. Cash and Cash Equivalents

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

The bank balances for the Clinic, at times, may exceed federally insured limits. Management has not experienced any losses in the past and does not believe the Clinic is exposed to a significant amount of credit risk. The Clinic had no uninsured cash balances as of December 31, 2017.

4. Property and Equipment

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

<u>Asset Category</u>	<u>2017</u>
Leasehold Improvements	\$ 31,621
Furniture and Equipment	194,798
Accumulated Depreciation	<u>(207,252)</u>
Total Property and Equipment	<u>\$ 19,167</u>

Depreciation expense for fiscal year ended December 31, 2017 was \$8,875.

5. Line of Credit

On May 30, 2013, the Clinic executed a \$20,000 line of credit agreement with a bank that matured June 1, 2018 bearing an interest rate of 2.0% plus the U.S. prime rate, which was 6.5% at December 31, 2017. There was no outstanding balance at December 31, 2017. No interest was paid during 2017.

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. Grant and Federal Awards

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

Health Resources and Services Administration (HRSA) Grant – In November 2013, the Clinic was awarded a HRSA grant totaling \$758,333 for the project period November 1, 2013 through December 31, 2018 administered by the U.S. Department of Health and Human Services, which reimburses specified operational expenses associated with the care of the Medicare, Medicaid, and uninsured populations. On August 4, 2014, this grant was increased to \$810,931. On November 27, 2015, this grant was increased to \$1,774,350. On December 15, 2016, this grant was increased to \$1,780,517. On May 24, 2018, this grant was increased to \$1,989,040.

7. Patient Revenues

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

As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare, Medicaid, and the Greater New Orleans Community Health Connection (GNOCHC) waiver program (see additional information in Note 10 regarding GNOCHC). The Clinic also has agreements with other third-party payors that provide for payments to the Clinic at amounts different from its established billing rates.

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

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. Patient Revenues (Continued)

Most of the Clinic's patients are Greater New Orleans residents insured under third party payer agreements. The mix of revenues from third-party payers for the year ended December 31, 2017 was as follows:

Medicaid	63%
Medicare	3%
Other Insurance	2%
Self Pay	<u>32%</u>
 Total	 <u><u>100%</u></u>

In addition to Medicare, Medicaid, and grant programs, the Clinic also provides healthcare to patients who do not qualify for these programs at a discounted cost. For the year ended December 31, 2017 the Clinic recognized \$84,168, in net patient revenues related to these patients.

8. Lease Agreements

During the year ended December 31, 2017, the Clinic had rent and leasing expense related to its medical and administrative space of \$29,200. The rent and lease agreements are renewed annually.

The Clinic leases various types of equipment for its operations, which are included in office expenses. The lease agreements expire between January 2018 and December 2020.

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

2018	\$ 94,465
2019	94,465
2020	<u>1,385</u>
 Total	 <u><u>\$ 190,315</u></u>

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. Commitments and Contingencies

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

The administration of the programs and activities funded by these grants and awards is under the contract and administration of the Clinic and is subject to audit and review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture. The Auditor's Report on Compliance for the Clinic's major program reflected an Adverse Opinion. We were unable to determine if the funding sources will seek to recapture funding related to the non-compliance.

The Clinic participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the Clinic for claims in excess of \$100,000 and up to \$500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to \$500,000 per occurrence. The Clinic purchased commercial insurance that provides coverage for medical malpractice up to \$2,000,000 in the aggregate in excess of the Fund limits. There were no medical malpractice cases outstanding as of December 31, 2017.

During 2017, a lawsuit was settled with the former CEO and CFO to pay out \$23,468 for the remainder of their 2016 contracts. This settlement amount was paid during 2017.

10. Economic Dependency

The primary source of revenue for the Clinic is federal, state, and local grants and contracts provided through various funding agencies. The continued success of the Clinic is dependent upon the renewal of contracts from current funding sources as well as the Clinic's ability to obtain new funding. The state Medicaid program (GNOCHC) was originally scheduled to end on December 31, 2013 but was extended through June 30, 2016. Effective July 1, 2016, the State of Louisiana expanded Medicaid which would provide service to the GNOCHC population under the traditional Medicaid model. For the year ended December 31, 2017, the Clinic received less than 1% of its revenue from the GNOCHC program.

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. Defined Contribution Plan

All full-time employees meeting the minimum age and years of service requirements are covered by a defined contribution plan under the provisions of the Internal Revenue Code Section 401(k). Eligible employees who wish to participate are allowed to contribute up to maximum limits imposed by law of their annual compensation. The Clinic makes matching contributions of the employees' contribution up to the first 6% contributed for each participating employee. The Clinic incurred \$13,330 during the year ended December 31, 2017 for administrative costs and matching contributions.

12. Subsequent Events

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

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 17, 2019, and determined that, except as noted above and in Notes 1 and 5, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

COMMON GROUND HEALTH CLINIC, INC.

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEADS: CHIEF EXECUTIVE AND FINANCIAL OFFICERS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Purpose	Carleetha Smith, Chief Executive Officer	Zakkiya Lewis, Chief Financial Officer	Laquina Williams, Interim Chief Financial Officer	Total
Salary	\$ 88,440	\$ 84,890	\$ 27,416	\$ 200,746
Bonuses	-	10,675	4,124	14,799
Severance	-	-	-	-
Benefits- Retirement	900	5,468	384	6,752
Benefits- Medical	631	730	751	2,112
Benefits- Dental	41	44	73	158
Cell Phone Allowance	-	-	-	-
Conference Travel - Reimbursements	993	1,575	841	3,409
Conference Travel - Airfare	-	2,352	603	2,955
Continuing Professional Education Fees	-	3,565	-	3,565
Unvouchered Expenses	-	-	-	-
Special Meals	-	-	-	-
	\$ 91,005	\$ 109,299	\$ 34,192	\$ 234,496

The accompanying notes are an integral part of these financial statements.



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

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

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 Common Ground Health Clinic (a nonprofit organization) (the Clinic), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2019. Our report expresses a qualified opinion on such financial statements because we were unable to obtain necessary support to reconcile and audit net patient revenues and receivables due to the Clinic's failure to record patient receivables or maintain sufficient records during the year ended December 31, 2017. We were unable to obtain sufficient appropriate audit evidence about the areas mentioned above through application of other auditing procedures.

Internal Control Over Financial Reporting

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

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Clinic, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

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

The Clinic's response to the findings identified in our engagement is described in the accompanying views of responsible officials and planned corrective actions starting on page 55. The Clinic's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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



Luther Speight & Company CPAs
New Orleans, Louisiana
October 17, 2019



Luther Speight & Company
Certified Public Accountants and Consultants

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

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

Report on Compliance for the Major Federal Programs

We have audited Common Ground Health Clinic, Inc.'s (the Clinic) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Clinic's major federal program for the year ended December 31, 2017. The Clinic's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Basis for Adverse Opinion on the Health Center Program Cluster

As described in the accompanying schedule of findings and questioned costs, Common Ground Health Clinic, Inc. did not comply with requirements regarding CFDA #93.224, Health Center Program Cluster, as described in finding numbers 2017-003, 2017-007, and 2017-008 for Program Income, 2017-004 and 2017-009 for Allowable Activities and Costs, 2017-005 and 2017-006 for Reporting, and 2017-008 for Cash Management, Period Performance, and Procurement/Supervision/Debarment. Compliance with such requirements is necessary, in our opinion, for Common Ground Health Clinic, Inc. to comply with the requirements applicable to the program.

Adverse Opinion on the Health Center Program Cluster

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, Common Ground Health Clinic, Inc. did not comply, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on the Health Centers Program for the year ended December 31, 2017.

The Clinic's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan starting on page 55. The Clinic's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-005 and 2017-010 to be material weaknesses.

The Clinic's response to the internal control findings identified in our audit are described in the accompanying corrective action plan starting on page 55. The Clinic's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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



Luther Speight & Company CPAs
New Orleans, Louisiana
October 17, 2019

**COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor</u>	<u>Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amount Passed through to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>Department of Health and Human Services Direct Programs</u>						
Health Center Program Cluster						
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers)						
		93.224		\$ 1,224,055	\$ -	\$ 1,224,055
TOTAL FEDERAL EXPENDITURES				<u>\$ 1,224,055</u>	<u>\$ -</u>	<u>\$ 1,224,055</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – DE MINIMUS COST RATE

During the year ended December 31, 2017, the Clinic did not elect to use the 10% de minimis cost rate.

NOTE 4 – LOAN AND LOAN GUARANTEES

The Clinic did not expend federal awards related to loans or loan guarantees during the year ended December 31, 2017. The Clinic had no loans outstanding at the year ended December 31, 2017.

NOTE 5 – FEDERALLY FUNDED INSURANCE

The Clinic has no federally funded insurance.

NOTE 6 – NONCASH ASSISTANCE

The Clinic did not receive any federal noncash assistance for the year ended December 31, 2017.

NOTE 7 – RECONCILIATION

The federal grant revenues included in the SEFA of the Clinic, are included on the Statements of Activities for the year end December 31, 2017 under the caption Grants – governmental. The Clinic did not receive other state or local grants during the year ended December 31, 2017.

**COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

PART I – SUMMARY OF AUDITOR’S RESULTS

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

<u>Health Center Program Cluster, CFDA #93.224</u>	<u>\$1,224,055</u>
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10. The dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**
11. Auditee qualified as a low-risk auditee under Section 200.520 of Uniform Guidance: **No**

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2017-001 – Material Weakness: Inaccurate Financial Close and Reporting Process (Originated in 2013)

CRITERIA: The Clinic should have a system of internal control over financial reporting to ensure accurate financial reporting, including reporting on the schedule of expenditures of federal awards.

CONDITION: The Clinic has undergone numerous changes in management and accounting personnel since 2013. These changes have resulted in inconsistencies in controls over several accounting processes including payroll, financial reporting, grant reimbursement reporting and the preparation of the schedule of expenditures of federal awards.

CAUSE: New management was in place during 2017 but did not fully implement the policies and procedures adopted to ensure proper recording, monitoring, and maintenance of support for critical accounting processes.

EFFECT: Several employees at the Clinic took paid time off in excess of the allowable limits due to lack of monitoring of compensated absence balances. Additionally, without adequate internal controls over financial reporting, including compilation of the schedule of expenditures of federal awards, the Clinic's financial information may contain material misstatements.

RECOMMENDATION: The Clinic should implement the policies, procedures, and internal controls sufficient to ensure accurate financial reporting, including reporting on the schedule of expenditures of federal awards.

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-002 – Timely Submission of Annual Audit Report (Originated in 2015)

- CRITERIA:** Louisiana state statute 2:511 – 2:559, Louisiana Audit Law, states that quasi-public entities with more than \$500,000 in revenue must submit their audited annual financial reports to the Louisiana Legislative Auditor within six (6) months of the close of the auditee’s fiscal year.
- CONDITION:** The Clinic did not remit the annual audited financial statement to the Louisiana Legislative Auditor within 6 months after year-end as required by Louisiana state statute 24:511 – 24:559.
- CAUSE:** The Clinic experienced high turnover of several key management positions in prior years’ which caused a delay in the performance, completion and submission of the annual audit report.
- EFFECT:** Late submission causes the auditee to be put on the non-compliance list and can result in withholding of state and/or federal pass-through funding to the auditee.
- RECOMMENDATION:** The Clinic should implement policies and procedures to ensure timely filing of any and all required reports.
- RESPONSE:** See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-003 – Failure to Correctly Apply Sliding Fee Scale (Originated in 2014)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 42 USC 254b(k)(3)(G)(i) requires the Clinic to utilize a sliding fee scale and apply it uniformly to all eligible patients.

CONDITION: Patients whose income is at or below 100% of the federal poverty guidelines pay a nominal fee of \$20 to \$40 based on household size. The Clinic has not ensured that the scale is applied equally to all eligible patients. The Clinic had not implemented procedures to ensure that all eligible patients are given the appropriate sliding fee discount.

CAUSE: The Clinic has not implemented procedures to ensure that the sliding fee scale is applied to all eligible patients uniformly.

EFFECT: This could result in improper application of sliding fee scale and improper program income.

QUESTIONED COSTS: Unknown.

RECOMMENDATION: The Clinic should implement procedures to ensure the sliding fee scale is applied uniformly to all patients in accordance with 42 USC 254b(k)(3)(G)(i).

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-004 – Failure to Provide Required Primary Health Services (Originated in 2014)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 42 USC 254b(b)(1)(A)(i)(I) requires that the Clinic provide all required services which include basic health services related to family medicine, internal medicine, and pediatrics. The Clinic is also required to provide preventive health services which include prenatal and perinatal services, appropriate cancer screening, well-child services, and immunizations and dental screening, well-child services, and immunizations and dental screenings under 42 USC 254b(b)(1)(A)(i)(III) and diagnostic laboratory and radiological services under 42 USC 254b(b)(1)(A)(i)(II).

CONDITION: In 2017, the Clinic did not provide pediatric care, diagnostic laboratory/radiology, immunizations, well child services, obstetrical care, or preventive dental as required for the entire period.

CAUSE: The Clinic did not formalize memoranda of agreements (MOAs) and did not have credentialed providers for the services not offered.

EFFECT: Inability to provide these services could result in possible recapture of grant awards.

QUESTIONED COSTS: Unknown.

RECOMMENDATION: The Clinic should develop a plan to ensure all required activities under 42 USC 254b(b)(1)(A)(i)(I), 42 USC 254b(b)(1)(A)(i)(II) and 42 USC 254b(b)(1)(A)(i)(III) are provided by the Clinic or that MOAs are in place for those activities not able to be provided by the Clinic.

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-005 – Material Weakness: Lack of Appropriate Monitoring of Federal Disbursements (Originated in 2014)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 2 CFR 200.303 requires that a non-Federal entity “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

CONDITION: The Clinic did not adequately establish and maintain effective internal controls as required by 2 CFR 200.303.

CAUSE: New management was in place during 2017 but did not fully implement the policies and procedures adopted to ensure proper maintenance of effective system of internal controls.

EFFECT: Lack of effective internal controls could cause federal funds to be used for unallowable activities and/or costs.

QUESTIONED COSTS: Unknown.

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

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-006 – Timely Submission of Federal Audit Clearinghouse Filing and Required UDS Universal Report and SF-425 Report (Originated in 2015)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 2 CFR requires that non-Federal entities that expend \$750,000 or more in a year in Federal awards must submit their audited annual financial reports and the data collection form to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor’s report, or nine (9) months of the close of the auditee’s fiscal year. The Uniform Data System Reporting Instructions for 2016 Health Center Data requires the Clinic to submit the UDS Universal Report by February 15, and the SF-425 Federal Financial Report Instructions requires the Clinic to submit the SF-425 Report no later than 90 days after the end of each reporting period.

CONDITION: The Clinic did not remit the annual audited financial statements and the data collection form to the Federal Audit Clearinghouse within 9 months after year-end as required by the Uniform Guidance. The Clinic did not remit the UDS Universal Report by February 15 and the SF-425 Federal Financial Report within 90 days after year-end.

CAUSE: Significant changes in management caused the submission of the annual audit report and data collection form to be filled late.

EFFECT: Late submission causes the Clinic to be put on the non-compliance list and can result in withholding of federal pass-through funding.

QUESTIONED COSTS: Unknown.

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

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-007 – Lack of Reasonable Collection Efforts (Originated in 2016)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 42 USC 254b(k)(3)(F) and (G)(ii)(II) requires the Clinic to make every reasonable effort to collect appropriate reimbursement for their costs in providing health services to persons eligible for medical assistance.

CONDITION: The Clinic could not provide records of billings or receivable postings for the entire twelve months during the period.

CAUSE: New management was in place during 2017 but did not fully implement the policies and procedures adopted to ensure proper recording and monitoring of patient receivables during the period.

EFFECT: Inability to comply with significant requirements of the grant could result in possible recapture of grant awards.

QUESTIONED COSTS: Unknown.

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

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-008 – Material Noncompliance: Lack of Retention of Records (Originated in 2016)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 2 CFR 200.333 requires that “financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.” Additionally, “if any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.” Also, 2 CFR 200.403(g) requires costs charged to federal programs to be adequately documented.

CONDITION: The Clinic could not provide significant supporting documentation for patient revenue and net patient receivables pertinent to the performance of audit procedures for an audit started before the expiration of the 3-year period.

CAUSE: Significant changes to the Clinic’s billing system made during January 2018 caused a loss/misplacement of significant records pertinent to performance of the audit procedures.

EFFECT: Inability to comply with significant requirements of 2 CFR 200 could result in possible recapture of grant awards.

QUESTIONED COSTS: Unknown.

RECOMMENDATION: The Clinic should implement policies and procedures to ensure appropriate retention of pertinent records in accordance with 2 CFR 200.333 and 2 CFR 200.403(g).

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-009 – Failure for Bonus Payment to Meet Necessary and Reasonable Test

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: 2 CFR 200 requires that “except where otherwise authorized by statute, cost must be necessary or reasonable for the performance of the Federal award.”

CONDITION: An employee was paid a \$10,675 bonus shortly after submitting their resignation. The employee was then subsequently rehired as a consultant and received an additional \$2,825 in consulting fees during the following fiscal year.

CAUSE: We were unable to determine the cause of this condition.

EFFECT: We were unable to determine the allowability of these costs with the applicable regulations.

QUESTIONED COSTS: \$13,500

RECOMMENDATION: Management should implement policies and procedures to ensure that all costs incurred meet the necessary and reasonable standard.

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-010 – Material Weakness: Payroll and Human Resource Procedures Not Adequate

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

CRITERIA: Best practices for governmental entities published by the Louisiana Legislative Auditor relating to proper internal controls over payroll and personnel files state the following:

Payroll Documentation: Effective controls could consist of (1) including in the individual personnel files the approved salary or rate of pay amount; (2) requiring all employees to complete simple time reports to document hours worked; (3) requiring the time reports be approved by the appropriate supervisor; and (4) maintaining simple records to account for vacation and sick leave earned and taken by employees.

Employee Personnel Records: A personnel file should be maintained for each employee that contains, at a minimum, (1) the employment application form that includes background information (employee's name, address, date of birth, emergency contact) and work experience of the employee; (2) the approved starting salary or rate of pay amount; (3) the Federal Employee's Withholding Allowance Certificate Form W-4 and Louisiana Employee Withholding Exemption Certificate Form L-4; (4) approved salary or hourly pay rate increases/decreases; (5) employee authorized deductions (e.g., insurance, deferred compensation plan); (6) performance appraisals; (7) promotions; and (8) disciplinary actions.

CONDITION: The Clinic's payroll processing procedures were not adequate and did not include sufficient documentation to support payroll disbursements. During our examination we noted the following:

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

2017-010 – Payroll and Human Resource Procedures Not Adequate (Continued)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2017

Name of Federal Agency: Department of Health and Human Services

We examined a sample of sixty (60) payroll transactions and eighteen (18) personnel files and noted the following:

- a) The authorized pay rates per personnel files did not agree with the gross pay computations for four (4) of the eighteen (18) personnel files reviewed.
- b) Authorized pay rate information was missing from five (5) of the eighteen (18) personnel files reviewed.
- c) Employee's hours worked per timecard did not agree to hours worked per the payroll register for one (1) of the transactions.
- d) Human resource files were not consistently documented and did not include all required documentation in many instances. Some of the more vital records, such as employment contracts, documentation of change in pay, sick and vacation leave documentation, experience verification forms and background check information were missing from multiple personnel files.

CAUSE: New management was in place during 2017 but did not fully implement the policies and procedures related to payroll.

EFFECT: The internal control environment over payroll was not adequate.

RECOMMENDATION: We recommend that the Organization delegate the coordination of payroll policies and procedures to a specific staff person. Policies should include approval of daily staff timesheets and leave records.

RESPONSE: See corrective action plan starting on page 55.

COMMON GROUND HEALTH CLINIC, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

FINDING: The Clinic has undergone numerous changes in management and accounting personnel since 2013. These changes have resulted in inconsistencies in controls over several accounting processes including payroll, financial reporting, grant reimbursement reporting and the preparation of the schedule of expenditures of federal awards. New management was in place during 2017 but did not fully implement the policies and procedures adopted to ensure proper recording, monitoring, and maintenance of support for critical accounting processes.

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

STATUS: Not resolved. See current year finding 2017-001.

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

FINDING: The Clinic did not remit the annual audited financial statement to the Louisiana Legislative Auditor within 6 months after year-end as required by Louisiana state statute 24:511 – 24:559.

RESPONSE: The Clinic has taken this recommendation into consideration and began the process of building a policy and procedure for completing and submitting the Clinic's annual audit report. As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who are working with the external CPA to complete and file all past due audits.

STATUS: Not resolved. See current year finding 2017-002.

COMMON GROUND HEALTH CLINIC, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

FINDING: Patients whose income is at or below 100% of the federal poverty guidelines pay a nominal fee of \$20 to \$40 based on household size. The Clinic has not ensured that the scale is applied equally to all eligible patients. The Clinic had not implemented procedures to ensure that all eligible patients are given the appropriate sliding fee discount.

RESPONSE: Upon the indication of failure to correctly apply the sliding scale as per grant requirement, the patient financial assessment and sliding fee scale eligibility policy and procedure has been implemented since September 2017. The sliding fee scale has been posted in the clinic in English as well as Spanish, and all eligible patients are given sliding fee discounts. The policy was amended in 2018 to comply with the federal guidelines for sliding fee scale. The policy was reconstructed by an outside consultant for CGHC.

STATUS: Not resolved. See current year finding 2017-003.

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

FINDING: In 2016, the Clinic did not provide pediatric care, diagnostic laboratory/radiology, immunizations, well child services, obstetrical care, or preventive dental as required for the entire period. The Clinic did not formalize memoranda of agreements (MOAs) and did not have credentialed providers for the services not offered.

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

STATUS: Not resolved. See current year finding 2017-004.

COMMON GROUND HEALTH CLINIC, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

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

FINDING: 2 CFR 200.303 requires that a non-Federal entity “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” The Clinic did not adequately establish and maintain effective internal controls as required by 2 CFR 200.303.

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

STATUS: Not resolved. See current year finding 2017-005.

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

FINDING: The Clinic did not remit the annual audited financial statements and the data collection form to the Federal Audit Clearinghouse within 9 months after year-end as required by the Uniform Guidance. The Clinic did not remit the UDS Universal Report by February 15 and the SF-425 Federal Financial Report within 90 days after year-end.

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

STATUS: Not resolved. See current year finding 2017-006.

COMMON GROUND HEALTH CLINIC, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

2016-007 – Lack of Reasonable Collection Efforts (Originated in 2016)

FINDING: 42 USC 254b(k)(3)(F) and (G)(ii)(II) requires the Clinic to make every reasonable effort to collect appropriate reimbursement for their costs in providing health services to persons eligible for medical assistance. The Clinic could not provide records of billings or receivable postings for the entire twelve months during the period.

RESPONSE: In April 2016, the CEO and CFO were terminated. The Clinic's biller took FMLA shortly thereafter. Due to the drastic transition in 2016, the Clinic underwent several changes, implemented several policies in 2016 and 2017, and continued to update those policies in 2018. One of those policies was a current and efficient sliding fee scale policy. The Clinic outsourced most of the billing in 2017 and later transitioned to an experienced in-house biller in November 2017. Since the onboarding of the in-house biller, the Clinic's collection efforts have improved drastically.

STATUS: Not resolved. See current year finding 2017-007.

2016-008 – Material Noncompliance: Lack of Retention of Records (Originated in 2016)

FINDING: 2 CFR 200.333 requires that “financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.” The Clinic could not provide significant supporting documentation for patient revenue and net patient receivables pertinent to the performance of audit procedures for an audit started before the expiration of the 3-year period.

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

STATUS: Not resolved. See current year finding 2017-008.

COMMON GROUND HEALTH CLINIC, INC.
STATUS OF PRIOR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017

<u>Finding #</u>	<u>Description</u>	<u>Resolved/Unresolved</u>
2016-001	Inaccurate Financial Close and Reporting Process	Unresolved
2016-002	Timely Submission of Annual audit Report	Unresolved
2016-003	Failure to Correctly Apply Sliding Fee Scale	Unresolved
2016-004	Failure to Provide Required Primary Health Services	Unresolved
2016-005	Lack of Appropriate Monitoring of Federal Disbursements	Unresolved
2016-006	Timely Submission of Federal Audit Clearinghouse Filing	Unresolved
2016-007	Lack of Reasonable Collection Efforts	Unresolved
2016-008	Lack of Retention of Records	Unresolved
2015-001	Material Weakness in Financial Close and Reporting Process	Unresolved
2015-002	Timely Submission of Annual Audit Report	Unresolved
2015-003	Failure to Correctly Apply Sliding Fee Scale	Unresolved
2015-004	Failure to Provide Required Primary Health Services	Unresolved
2015-005	Material Weakness in Monitoring of Federal Disbursements	Unresolved
2015-006	Timely Submission of Federal Audit Clearinghouse	Unresolved



Luther Speight & Company
Certified Public Accountants and Consultants

COMMON GROUND HEALTH CLINIC, INC.
AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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

To the Board of Directors of Common Ground Health Clinic, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Common Ground Health Clinic, Inc. (entity) 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 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, 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. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Results: *The policies and procedures appear to appropriately address the required elements above.*

- a) **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.

Results: The policies and procedures appear to appropriately address the required elements above.

- b) **Disbursements**, including processing, reviewing, and approving

Results: The policies and procedures appear to appropriately address the required elements above.

- c) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: The policies and procedures appear to appropriately address the required elements above.

- d) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: The policies and procedures appear to appropriately address the required elements above.

- e) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: The policies and procedures appear to appropriately address the required elements above.

- f) **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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Results: The policies and procedures appear to appropriately address the required elements above.

- g) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: *The policies and procedures appear to appropriately address the required elements above.*

- h) **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.

Results: *Not applicable, as the entity is a nonprofit.*

- i) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: *Not applicable, as the entity is a nonprofit.*

Board or Finance Committee

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

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: *The Board of Directors did meet on a monthly basis. We reviewed the Board minutes and noted monthly meetings were held.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: *We noted financial information relating to public funds was reviewed during the monthly board meetings.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: *Not applicable to the entity.*

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Results: *We reviewed the Organization's four bank accounts and noted three of the accounts' bank reconciliations were not properly prepared within 2 months of the fiscal year end.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Results: *Bank reconciliations did not include formal documentation of management or Board review.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: *No such outstanding reconciling items were noted in our sample selected.*

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: *Listing of deposit sites was obtained from management.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Results: *Organization appears to have adequate segregation of duties for cash collections. No findings noted.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Results: *Organization appears to have adequate segregation of duties for cash collections. No findings noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Results: *Organization appears to have adequate segregation of duties for cash collections. No findings noted.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: *Organization appears to have adequate segregation of duties for cash collections. No findings noted.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: *It was noted that employees who have access to cash are not bonded or covered by an insurance policy for theft.*

Management's Response: *Management is confident that adequate safeguards and segregation of duties are presently in place regarding receipts.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: *No exceptions noted.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: *No exceptions noted.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: *Deposits were traced to the bank statement without exception.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Results: *Deposits were received within 1 day of receipt.*

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: *Deposits were traced to the general ledger without exception.*

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: *We noted only one location that processes payments (main office).*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: *All purchases require a purchase request form, which must be approved by management. No findings noted.*

- b) At least two employees are involved in processing and approving payments to vendors.

Results: *All payments are approved by an employee other than the one processing the payments. For payments over a certain dollar amount, more than one member of management or the Board has to approve of the transaction. No findings noted.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: *The policy states that the CEO or CFO are the only employees able to make changes to the approved vendor list.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: *We noted that the employee responsible for processing payments does not mail the checks to the vendors.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Results: *We noted the disbursements in the sample matched the supporting invoices. No findings noted.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: *There was no evidence of board approval for three transactions over the \$3,000 threshold required by policy. Additionally, two of those three transactions only included one signature on the check while the Clinic's policy states two signatures are needed.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

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

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

Results: *List and management's representation was obtained.*

Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Results: *There was no evidence of the monthly statement being reviewed and approved by someone other than the authorized card holder, in this case the CFO.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: *We noted that no finance charges and late fees were assessed on the selected statement.*

12. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: *Management was unable to provide supporting documentation for one (1) of the ten (10) transactions selected for testing.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

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

13. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Results: *List of travel expense reimbursements and management's representation was obtained.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Results: *For one of the five transactions selected for testing the employee's reimbursement surpassed the allowable per diem rate.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: *No exceptions noted.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Results: *Four of the five transactions selected for testing lacked the required travel request & authorization form.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: *No exceptions noted.*

Contracts

- 14. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Results: *None of the contracts selected were subject to Louisiana Public Bid Law.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Results: *Due to their amounts, none of the contracts selected were subject to board approval.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Results: *We noted that amendments were allowed according to the original contract terms. No findings noted.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: *We noted that each payment was supported by an invoice, which agreed to the contract terms and conditions. No findings noted.*

Payroll and Personnel

15. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: *Listing of employees and management's representation were obtained.*

16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/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.)

Results: *We noted that daily attendance and leave was documented for the 5 employees selected. No findings noted.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Results: *We noted that attendance and leave approval was not formally documented.*

Management's Response: *The former CFO's failure to complete certain job duties impacted the performance of these procedures during the fiscal period 2017. These deficiencies were addressed and remedied by the current acting CFO hired in April 2018.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: *We noted accrued leave is reflected in the entity's cumulative leave records.*

17. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: *Management's representation was obtained.*

Ethics

Results: *Section is not applicable, as the Organization is a non-profit.*

Debt Service

Results: *Section is not applicable, as the Organization is a non-profit.*

Other

18. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: *No misappropriation of public funds or assets were noted.*

19. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: *We noted the required notice is not posted on the Organization's premises or on their website.*

Management's Response: *Management has represented they are making efforts to post the required notice on premise at their two locations and on their website.*

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.

A handwritten signature in blue ink, appearing to read "Luther Speight & Co".

Luther Speight & Company CPAs
New Orleans, Louisiana
October 17, 2019



Corrective Action Plan
December 5, 2019

Common Ground Health Clinic respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Luther Speight & Co, CPAs
1100 Poydras Street, STE 1225
New Orleans, LA 70163

Audit period:

Fiscal Year January 1, 2017 – December 31, 2017.

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

2017-001 – Material Weakness: Inaccurate Financial Close and Reporting Process (Originated in 2013)

Recommendation: The Clinic should implement the policies, procedures, and internal controls sufficient to ensure accurate financial reporting, including reporting on the schedule of expenditures of federal awards.

Action Taken: The Board of Directors quickly identified an Executive Director in October 2016 and hired a reputable third-party CPA to review internal controls and implement recommendations to strengthen internal controls over the financial close and reporting process. Common Ground Health Clinic created and implemented

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policies and procedures in 2016, 2017 and has continued to do in 2018. Each year these policies and procedures are reviewed for relevance and amended or updated in necessary.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2017-002 – Timely Submission of Annual Audit Report (Originated in 2015)

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

Action Taken: The Clinic is taking this recommendation into consideration and has begun the process of building a policy and procedure for completing and submitting the Clinic’s annual audit report. As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who are working with the external CPA to complete and file all past due audits. Resolving finding 2017-001 above is expected to resolve finding as well for 2018’s audit.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2019

2017-003 – Failure to Correctly Apply Sliding Fee Scale (Originated in 2014)

Recommendation: The Clinic should implement procedures to ensure the sliding fee scale is applied uniformly to all patients in accordance with 42 USC 254b(k)(3)(G)(i).

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



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

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2017-004 – Failure to Provide Required Primary Health Services (Originated in 2014)

Recommendation: The Clinic should develop a plan to ensure all required activities under 42 USC 254b(b)(1)(A)(i)(I), 42 USC 254b(b)(1)(A)(i)(II) and 42 USC 254b(b)(1)(A)(i)(III) are provided by the Clinic or that MOAs are in place for those activities not able to be provided by the Clinic.

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

Responsible Party: Carleetha Smith, CEO
Dr. Michele Kautzman, CMO

Estimated Completion Date: December 2017

2017-005 – Material Weakness: Lack of Appropriate Monitoring of Federal Disbursements (Originated in 2014)



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

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

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2017-006 – Timely Submission of Federal Audit Clearinghouse Filing and Required UDS Universal Report and SF-425 Report (Originated in 2015)

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

Action Taken: The Clinic is taking this recommendation into consideration and has begun the process of building a policy and procedure for completing and submitting the Clinic's annual audit report to the Federal Audit Clearinghouse. The Clinic implemented the policies, procedures, and controls that were drafted in late 2014 and implemented in 2015 under the general accounting section of properly tracking and monitoring grant expenditures. As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who are working with the external CPA to complete and file all past due audits. Resolving finding 2017-006 is expected for 2018's audit.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2019



2017-007 – Lack of Reasonable Collection Efforts (Originated in 2016)

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

Action Taken: In April 2016, the CEO and CFO were terminated. The Clinic's biller took FMLA shortly thereafter. Due to the drastic transition in 2016, the Clinic underwent several changes, implemented several policies in 2016 and 2017, and continued to update those policies in 2018. One of those policies was a current and efficient sliding fee scale policy. The Clinic outsourced most of the billing in 2017 and later transitioned to an experienced in-house biller in November 2017. Since the onboarding of the in-house biller, the Clinic's collection efforts have improved drastically.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: December 2017

2017-008 – Material Noncompliance: Lack of Retention of Records (Originated in 2016)

Recommendation: The Clinic should implement policies and procedures to ensure appropriate retention of pertinent records in accordance with 2 CFR 200.333 and 2 CFR 200.403(g).

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

Responsible Party: Carleetha Smith, CEO

Estimated Completion Date: March 2019



2017-009 – Failure for Bonus Payment to Meet Necessary and Reasonable Test

Recommendation: Management should implement policies and procedures to ensure that all costs incurred meet the necessary and reasonable standard.

Action Taken: Management appreciates the opportunity to review and comment on this finding but does not agree with this finding. Bonuses and awards are approach with reasonableness and deliberation. Bonuses are also issued after accessing the financial stability of the clinic and employee’s performances. Bonuses are not based on grant funding but instead the availability of program revenue. Since this time, management has visited the topic of future bonuses and declined to issue bonuses the very next year of the event in question due to the current fiscal stability of the clinic during that time. Management has significantly enhanced and continues to approve its practice regarding bonuses and has already substantially addressed the auditor’s recommendation.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: March 2019

2017-010 – Payroll and Human Resource Procedures Not Adequate

Recommendation: We recommend that the Organization delegate the coordination of payroll policies and procedures to a specific staff person. Policies should include approval of daily staff timesheets and leave records.

Action Taken: A new CFO was hired in April 2018 and some of the payroll deficiencies identified were addressed by segregating accounting duties. One of the deficiencies addressed was assigning a new accountant to process and manage payroll. The current CFO along with the current payroll accountant implemented new payroll processes and will continue to revisit all payroll policies and procedure (P&P) to further eliminate payroll discrepancies. The current payroll policies and procedures were amended again



in July 2019 to conform with the Health Resources & Services Administration standards. Management has significantly enhanced and continues to approve its practice regarding payroll processes and has already substantially addressed the auditor's recommendation.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: April 2018