

COMMON GROUND HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014



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December 31, 2015

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REPORT



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Common Ground Health Clinic, Inc., which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Common Ground Health Clinic, Inc. as of December 31, 2015 and 2014, and the changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is required by Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 August 2, 2018, on our consideration of Common Ground Health Clinic, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clinic's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Common Ground Health Clinic, Inc.'s internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

August 2, 2018



FINANCIAL STATEMENTS

Common Ground Health Clinic, Inc.
Statements of Financial Position

<i>As of December 31,</i>	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 53,594	\$ 8,483
Accounts receivable, net of contractual allowances and allowance for bad debt of \$27,258 and \$39,975 for the years ended December 31, 2015 and 2014, respectively.	28,925	41,102
Prepays and other assets	21,844	19,595
Total Current Assets	104,363	69,180
PROPERTY AND EQUIPMENT, net		
Land held for development	12,000	12,000
Leasehold improvements, furniture, and equipment, net	37,502	31,628
Total Property and Equipment, net	49,502	43,628
TOTAL ASSETS	\$ 153,865	\$ 112,808
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 172,968	\$ 29,197
Line of credit	-	2,412
Total Current Liabilities	172,968	31,609
NET ASSETS		
Unrestricted	(19,103)	49,998
Temporarily restricted	-	31,201
Total Net Assets	(19,103)	81,199
TOTAL LIABILITIES AND NET ASSETS	\$ 153,865	\$ 112,808

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

Common Ground Health Clinic, Inc.
Statements of Activities

<i>For the Year Ended December 31,</i>	2015	2014
UNRESTRICTED SUPPORT AND REVENUES		
Gross patient service revenue	\$ 848,540	\$ 809,549
(Less): Contracted allowances and provision for bad debts	(433,198)	(333,049)
Net patient service revenue	415,342	476,500
Grants - governmental	1,082,439	758,217
Grants - foundation, trust, and non-profit	928	82,121
Donated service	-	29,972
Other income	-	2,029
Total Unrestricted Support and Revenues	1,498,709	1,348,839
Net assets released from restrictions- grants	31,201	8,238
Net Unrestricted Support and Revenues	1,529,910	1,357,077
OPERATING EXPENSES		
Health care	1,033,059	806,275
Management and general	565,952	678,602
Total Operating Expenses	1,599,011	1,484,877
CHANGE IN UNRESTRICTED NET ASSETS	(69,101)	(127,800)
TEMPORARILY RESTRICTED NET ASSETS		
Increase in temporarily restricted net assets -		
Grants - foundation, trust, and non-profit	-	6,106
Net assets released from restrictions	(31,201)	(8,238)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(31,201)	(2,132)
CHANGE IN NET ASSETS	(100,302)	(129,932)
NET ASSETS - Beginning of year	81,199	211,131
NET ASSETS - End of year	\$ (19,103)	\$ 81,199

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,

2015

	Health Care	Management and General	Total Expenses
EXPENSES			
Accounting fees	\$ -	\$ 10,003	\$ 10,003
Bank fees	-	1,030	1,030
Biohazard and trash removal	4,046	6,068	10,114
Computer services	-	687	687
Depreciation	-	9,553	9,553
Insurance	64,670	6,396	71,066
Interest	-	97	97
Lab testing and diagnostics	45,817	-	45,817
Licenses and membership dues	-	500	500
Office expenses	-	22,694	22,694
Patient billing services	23,074	-	23,074
Postage	-	2,229	2,229
Professional fees and contract labor	-	174,037	174,037
Rent	29,952	1,248	31,200
Repairs and maintenance	22,128	3,602	25,730
Salaries, related payroll taxes and benefits	754,061	200,447	954,508
Supplies	6,531	12,130	18,661
Travel, conferences, and staff development	24,224	-	24,224
Utilities	4,365	26,814	31,179
Equipment lease/rental	4,247	6,930	11,177
Loss due to property impairment	-	-	-
Other	49,944	81,487	131,431
Total Expenses	\$ 1,033,059	\$ 565,952	\$ 1,599,011

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,

2014

	Health Care	Management and General	Total Expenses
EXPENSES			
Accounting fees	\$ -	\$ 96,987	\$ 96,987
Bank fees	-	2,883	2,883
Biohazard and trash removal	3,886	5,829	9,715
Computer services	-	1,104	1,104
Depreciation	-	7,440	7,440
Fundraising/marketing events	-	1,559	1,559
Insurance	72,343	7,155	79,498
Interest	-	430	430
Lab testing and diagnostics	13,603	-	13,603
Licenses and membership dues	-	4,730	4,730
Office expenses	-	21,268	21,268
Patient billing services	27,216	-	27,216
Postage	-	1,216	1,216
Professional fees and contract labor	-	218,691	218,691
Rent	18,812	784	19,596
Repairs and maintenance	12,031	1,959	13,990
Salaries, related payroll taxes and benefits	613,205	163,004	776,209
Supplies	4,053	7,526	11,579
Travel, conferences, and staff development	26,709	-	26,709
Utilities	2,981	18,314	21,295
Volunteer and patient meals	249	-	249
Equipment lease/rental	5,265	8,590	13,855
Loss due to property impairment	-	99,470	99,470
Other	5,922	9,663	15,585
Total Expenses	\$ 806,275	\$ 678,602	\$ 1,484,877

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

Common Ground Health Clinic, Inc.
Statements of Cash Flows

<i>For the Year Ended December 31,</i>	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (100,302)	\$ (129,932)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,553	7,440
Loss due to property impairment	-	99,470
Change in operating assets and liabilities:		
Accounts receivable	12,177	(19,667)
Grants receivable	-	121,316
Prepays and other assets	(2,249)	(3,126)
Accounts payable and accrued liabilities	143,771	(83,886)
Net cash provided by (used in) operating activities	62,950	(8,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(15,427)	(13,312)
Net cash used in investing activities	(15,427)	(13,312)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	10,000
Payments on line of credit	(2,412)	(17,415)
Net cash used in financing activities	(2,412)	(7,415)
Net change in cash and cash equivalents	45,111	(29,112)
Cash and cash equivalents, at the beginning of year	8,483	37,595
Cash and cash equivalents, at the end of year	\$ 53,594	\$ 8,483
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 97	\$ 430

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

The Clinic was founded on September 9, 2005, just days after Hurricane Katrina devastated the Gulf Coast. The Clinic became a registered 501(c)(3) tax exempt organization in April 2006.

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

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

Basis of Reporting

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

Basis of Presentation

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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, 2015 or 2014.

Cash and Cash Equivalents

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

Accounts Receivable, net

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

Property and Equipment, net

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

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

Revenue Recognition

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Medical Supplies

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

Functional Allocation of Expenses

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

Compensated Absences

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

Income Taxes

The Clinic has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Management believes there are no uncertain tax positions included in the financial statements. The Clinic has accrued estimated penalties and interest of \$77,800 related to the late filing of the Clinic's 2015 Form 990. This amount is included with accounts payable and other accrued liabilities on the Statements of Financial Position and as other expenses on the Statements of Functional Expenses.

Use of Estimates

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

Common Ground Health Clinic, Inc.
Notes to Financial Statements

NOTE 2 - CASH AND CASH EQUIVALENTS

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

The bank balances for the Clinic, at times, may exceed federally insured limits. Management has not experienced any losses in the past, and does not believe the Clinic is exposed to a significant amount of credit risk. The Clinic had no uninsured funds as of December 31, 2015 and 2014.

NOTE 3 - LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT

As of December 31, 2015 and 2014 such assets and related accumulated depreciation consisted of the following:

	2015	2014
Leasehold improvements	\$ 31,621	\$ 31,621
Furniture and equipment	195,308	179,880
(Accumulated depreciation)	(189,427)	(179,873)
Total, net	\$ 37,502	\$ 31,628

NOTE 4 - LINE OF CREDIT

On May 30, 2013, the Clinic executed a \$20,000 line of credit agreement with a bank that matured June 1, 2018 bearing an interest rate of 2.0% plus the U.S. prime rate, which was 5.5% and 5.75% at December 31, 2015 and 2014, respectively. The balance outstanding at December 31, 2015 and 2014 was \$- and \$2,412, respectively.

Interest paid during 2015 and 2014 totaled \$97 and \$430, respectively.

NOTE 5 - GRANT REVENUES

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

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

NOTE 6 - PATIENT REVENUES

The Clinic provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana’s Department of Health and Hospitals and the U.S. Department of Health and Human Services’ Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided. As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare, Medicaid, and the Medicaid Greater New Orleans Community Health Connection (GNOCHC) waiver program. The Clinic also has agreements with other third party payors that provide for payments to the Clinic at amounts different from its established billing rates.

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

Most of the Clinic’s patients are Greater New Orleans residents insured under third-party payer agreements. The mix of revenues from third-party payers for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
GNOCHC	45%	56%
Medicaid	1%	8%
Medicare	3%	4%
Other insurance	1%	4%
Self pay	50%	28%
Total	100%	100%

In addition to the Medicare, Medicaid, and grant programs, the Clinic also provides healthcare to patients who do not qualify for these programs at a discounted cost. For the year ended December 31, 2015 and 2014 the Clinic recognized \$40,454 and \$54,108, respectively, in net patient revenues related to these patients.

NOTE 7 - LEASES

During the years ended December 31, 2015 and 2014, the Clinic had rent and leasing expense related to its medical and administrative office space for \$31,200 and \$19,596, respectively. The rent and lease agreements are renewed annually.

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

Common Ground Health Clinic, Inc.
Notes to Financial Statements

NOTE 7 - LEASES (Continued)

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

2016	\$	10,735
2017		10,465
2018		10,465
2019		10,465
2020		1,385
<hr/>		
Total	\$	43,515

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

The Clinic participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the Clinic for claims in excess of \$100,000 and up to \$500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to \$500,000 per occurrence. The Clinic purchased commercial insurance that provides coverage for medical malpractice up to \$2,000,000 per claim and \$2,000,000 in the aggregate in excess of the Fund limits. There were no medical malpractice cases outstanding as of December 31, 2015 and 2014.

During 2017 the Clinic settled litigation with two (2) former employees. The settlement related to payments of amounts owed to the employees for 2016.

NOTE 9 - ECONOMIC DEPENDENCY

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

NOTE 9 - ECONOMIC DEPENDENCY (CONTINUED)

The state Medicaid program (GNOCHC) was originally scheduled to end in December 31, 2013 but was extended through June 2016. Beginning July 2016, the GNOCHC program ended, but the state Medicaid program was expanded offering Medicaid benefits to previously uninsured patients. During the years ended December 31, 2015 and 2014, the Clinic received 45% and 56% of its revenue from the GNOCHC program respectively.

NOTE 10 - DEFINED CONTRIBUTION PLAN

All full-time employees meeting the minimum age and years of service requirements are covered by a defined contribution plan under the provisions of the Internal Revenue Code Section 401(k). Eligible employees who wish to participate are allowed to contribute up to maximum limits imposed by law of their annual compensation. The Clinic makes matching contributions of the employees' contribution up to the first 6% contributed for each participating employee. The Clinic incurred \$11,701 and \$7,016 during the year ended December 31, 2015 and 2014, respectively, for administrative costs and matching contributions.

NOTE 11 - OPERATING RESULTS AND LIQUIDITY

As shown in the accompanying statements of activities, the Clinic incurred an overall decrease in net assets of (\$100,302) for the year ended December 31, 2015 and, current liabilities exceed current assets by \$68,605 as of December 31, 2015. The Clinic has experienced liquidity issues throughout 2015 due to timing of receipt of funding from various sources and continued reductions in revenue from these sources.

Management's plan to remediate the operating cash flow difficulties and operating losses are to continue to identify additional funding streams including applying for new grants, increasing fundraising efforts targeted at private donors, and marketing to attract a wider patient base. In November of 2013, the Clinic was awarded a HRSA grant totaling \$758,333 (See Note 5). On August 4, 2014, this grant was increased to \$810,931. On November 27, 2015, this grant was increased to \$1,744,350. In addition, management continues to implement various cost-reduction strategies to reduce operating expenses. Unaudited financial results for the Clinic for the years ended December 31, 2016 and 2017 show net income of approximately \$200,000 and \$175,000, respectively.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 2, 2018, and determined that, other than as disclosed in Note 8, no events occurred that require disclosure.



**OTHER SUPPLEMENTARY
INFORMATION**

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

Agency Head Name: Preston Wright, Chief Executive Officer

Purpose	Amount	
Salary	\$	105,000
Benefits-insurance		9,606
Benefits-retirement		1,211
Benefits-medicare		-
Benefits-worker's compensation		-
Benefits-unemployment		-
Cell phone and Ipad dues		-
Uniforms		-
Per diem		-
Reimbursements-advertising		-
Travel		2,393
Fuel usage		-
Conference travel		455
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
Total	\$	118,665

See accompanying independent auditors' report.



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

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

We 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, Inc. (the Clinic), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated August 2, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Clinic's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2015-001).

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-002.

Common Ground Health Clinic, Inc. Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cam, Riggs & Ingram, L.L.C.

August 2, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited Common Ground Health Clinic, Inc. (the Clinic) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Parish's major federal programs for the year-ended December 31, 2015. The Clinic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Clinic's major federal programs 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Clinic's compliance.

Basis for Qualified Opinion on Health Centers Program

As described in the accompanying schedule of findings and questioned costs, Common Ground Health Clinic did not comply with requirements regarding CFDA #93.224, Health Centers Program, as described in finding numbers 2015-003, 2015-004, and 2015-006 for Program Income. Compliance with such requirements is necessary, in our opinion, for Common Ground Health Clinic to comply with the requirements applicable to that program.

Qualified Opinion on Health Centers Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Common Ground Health Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Centers Program for the year ended December 31, 2015.

Other Matters

Common Ground Health Clinic Inc.’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Clinic’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2015-005).



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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Clinic's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Clinic's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Carri Riggs & Ingram, L.L.C.

August 2, 2018

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

Federal Grantor/ Pass through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)	Amount Passed through to Subrecipient	Total Federal Expenditures (\$)
Department of Health and Human Services Direct Programs Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		\$ 1,028,698	\$ -	\$ 1,028,698
Total Expenditures of Federal Awards			\$ 1,028,698	\$ -	\$ 1,208,698

See accompanying auditors' report.



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

NOTE 1 - GENERAL

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

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 – DE MINIMIS COST RATE

During the year ended December 31, 2015, the Clinic did not elect to use the 10% de minimis cost rate.

NOTE 4 - LOAN

The Clinic did not expend federal awards related to loans or loan guarantees during the year ended December 31, 2015. The Clinic had no loans outstanding at the year ended December 31, 2015.

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, 2015.

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, 2015 under the caption Grants – *governmental*. Included in the balance with the federal grant revenues, are other state and local grants totaling \$53,741.

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

PART I – SUMMARY OF AUDITOR’S RESULTS

1. Type of report issued on the financial statements: **Unmodified.**
2. Did the audit disclose any significant deficiencies in internal control: **Yes**
3. Were any of the significant deficiencies 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 significant deficiencies in internal control over major programs: **Yes**
6. Were any of the significant deficiencies in internal control over major programs material weaknesses: **Yes**
7. Type of report issued on compliance for major programs: **Qualified**
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): **Yes**
9. The following is an identification of major programs:

<i>Consolidated Health Centers, CFDA #93.224</i>	<i>\$ 1,028,698</i>
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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

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2015-001 – Material weakness in 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.

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

Cause: The Clinic did not have policies and procedures in place to ensure proper recording, monitoring, and maintaining support of critical accounting processes.

Effect: Without adequate internal controls over financial reporting, the Clinic's financial information may contain material misstatements.

Recommendation: The Clinic should implement the policies, procedures, and internal controls that were drafted in 2014.

Views of Responsible Official: See corrective action plan.

2015-002– Noncompliance: Timely submission of Annual Audit Report

Criteria: Louisiana state statute 24:511 – 24:559, Louisiana Audit Law, states that quasi-public entities with more than \$500,000 in revenue must submit their audited annual financial reports to the Louisiana Legislative Auditor within six (6) months of the close of the auditee's fiscal year.

Condition: The Clinic is required to remit the annual audited financial statements to the Louisiana Legislative Auditor no later than six months after year-end.

Cause: The Clinic had turnover of several key management positions which caused the submission of the annual audit report to be filed late.

Effect: Late submission causes the auditee to be put on the non-compliance list and can result in withholding of state and/or federal pass-through funding to the auditee.

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

Recommendation: We recommend that management implement policies and procedures to ensure timely filing of any and all required reports.

Views of Responsible Official: See corrective action plan.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-003 – Noncompliance: Failure to Correctly Apply Sliding Fee Scale (originated in 2014; 2014-01)

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

Federal Award Identification Number and Year: 3 H80CS26580-02-18 / 2015

Name of Federal Agency: Department of Health and Human Services

Criteria: The program income compliance requirement of the HRSA grant requires the clinic to utilize a sliding fee scale and use it uniformly to all eligible patients.

Condition: Patients whose income is at or below 100% of the federal poverty guidelines pay either a nominal fee of \$20 for a household size of one, to an upward range of \$40 for a household size of eight. The Clinic has not 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 all eligible patients are given the sliding fee discount.

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

Questioned Costs: Unknown

Recommendation: Put procedures in place to ensure the sliding scale is applied uniformly to all patients and train staff to apply the scale uniformly to all patients.

Views of Responsible Official: See corrective action plan.

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

2015-004 – Noncompliance: Failure to Provide Required Primary Health Services (originated in 2014; 2014-02)

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

Federal Award Identification Number and Year: 3 H80CS26580-02-18 / 2015

Name of Federal Agency: Department of Health and Human Services

Criteria: The activities allowed or unallowed compliance requirement of the HRSA grant states 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.

Condition: In 2015, The Clinic did not provide pediatric care, diagnostic laboratory/radiology, immunizations, well child services, obstetrical care, or preventive dental as required.

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

Effect: As required activities, not providing these services results in the Clinic not complying with the grant and possible recapture of grant awards.

Questioned Costs: Unknown

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

Views of Responsible Official: See corrective action plan.

2015-005 – Material Weakness In Monitoring of Federal Disbursements (originated in 2014; 2014-04)

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

Federal Award Identification Number and Year: 3 H80CS26580-02-18 / 2015

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

Name of Federal Agency: Department of Health and Human Services

Criteria: The HRSA grant requires the Clinic to maintain a system of internal controls over disbursements in compliance with grant agreements.

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

Cause: The Clinic did not have appropriate policies and procedures in place for proper recording and monitoring of grant expenditures.

Effect: Federal dollars are not properly tracked and could be used for unallowable costs.

Questioned Costs: Unknown

Recommendation: The Clinic should implement the policies, procedures, and controls that to ensure proper recording and monitoring of critical accounting policies.

Views of Responsible Official: See corrective action plan.

2015-006 – Noncompliance: Timely submission to Federal Audit Clearinghouse

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

Federal Award Identification Number and Year: 3 H80CS26580-02-18 / 2015

Name of Federal Agency: Department of Health and Human Services

Criteria: According to the Uniform Guidance, non-Federal entities that expend \$750,000 or more in a year in Federal awards shall have a 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.



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

- Condition:** The Clinic is required to remit the annual audited financial statements and the data collection form to the Federal Audit Clearinghouse no later than nine months after year-end.
- Cause:** The Clinic had turnover of several key management positions which caused the submission of the annual audit report and data collection form to be filed late.
- Effect:** Late submission causes the auditee to be put on the non-compliance list and can result in withholding of state and/or federal pass-through funding to the auditee.
- Questioned Costs:** Unknown
- Recommendation:** We recommend that management implement policies and procedures to ensure timely filing of any and all required reports.
- Views of Responsible Official:** See corrective action plan.



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

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2013-01 – Material weakness in financial close and reporting process

Finding: In an effort to reduce operating expenses in 2013, the third party CPA which oversaw the monthly financial close and reporting process was changed to a less expensive contractor. Subsequent to this change, there was additional turnover in this role throughout the remainder of 2013 and through May 2014. As a result, internal controls over the monthly financial close and reporting process were not in effect during the last two quarters of 2013.

Response: The Clinic not only experienced turnover in the accounting function but also in the executive director position in 2014. The board of directors quickly identified an interim executive director as well as hired a reputable third party CPA to, among other things, review internal controls and implement recommendations to strengthen internal controls over the financial close and reporting process

Status: Not resolved. See current year finding 2015-001

2013-02 – Material weakness related to misappropriation of assets.

Finding: Management identified misappropriation of assets committed by an employee of the clinic relating to personal expenses charged to the Clinic as operating expenses. The results of a subsequent forensic review by a third party, indicated the total asset misappropriation was approximately \$4,900. Controls over the expenditure process were not operating effectively during the period sufficient to prevent/detect improper expenses on a timely basis.

Response: Upon identification of the original asset misappropriation, the Board engaged a third party CPA to perform a forensic review of the books and records which further indicated that there were curious expenses that were improperly paid/expensed that were of a personal nature. The board has engaged a third party CPA to, amount other things, review internal controls and implement recommendations to strengthen internal controls over the procurement process and payroll process.

Status: Resolved

2014-01 – Failure to Correctly Apply Sliding Fee Scale

Finding: Patients whose income is at or below 100% of the FPG pay either a nominal fee of \$20 for a household size of one, to an upward range of \$40 for a household size of eight. The Clinic has not ensured that the scale is applied equally to all eligible patients and has not made signs available in the check in area to communicate the availability of the sliding fee scale discount for qualified patients.

Response: All signage is posted and the sliding scale fee scale has been updated to meet 2015 requirements as well as submitted and approved by HRSA.



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

Status: Not resolved. See current year finding 2015-003

2014-02 – Failure to Provide Required Primary Health Services

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

Response: Management has obtained referral MOUs for the majority of required services not provided by the Clinic and expects to have the remaining MOUs effective by July 31, 2015.

Status: Not resolved. See current year finding 2015-004

2014-03 – Governance Procedures

Finding: The Clinic could not provide minutes for each monthly board meeting as required. There was no documentation of approval of the annual budget, selection of the proper services to be provided by the Clinic and general policies.

Response: The Board has approved all required policies and will ensure that all meeting minutes are documented and maintained. Documented proof of the policy approvals has been submitted to HRSA and is pending their approval.

Status: Resolved.

2014-04 – Lack of Internal Controls in Monitoring of Federal Disbursements

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

Response: Management has obtained board approval to implement the internal control policies and procedures that were drafted in 2014, and has implemented the policies and procedures effective January 31, 2015.

Status: Not resolved. See current year finding 2015-005



Common Ground Health Clinic
1400 Teche St.
New Orleans, LA 70114

Corrective Action Plan
August 2, 2018

Common Ground Health Clinic respectfully submits the following corrective action plan for the year ended December 31, 2015.

Name and address of independent public accounting firm:
Carr, Riggs & Ingram, LLC
111 Veterans Boulevard
Suite 350
Metairie, LA 70005

Audit Period:
Fiscal Year January 1, 2015 – December 31, 2015

2015-001 Financial Close and Reporting Process – According to the financial policy & procedures manual under the general accounting section titled cycle, the financial close is performed on a monthly basis before the monthly board meeting. Since October 2016, with the onboarding of the new CEO and CFO, we have maintained and presented the financials in a timely manner to the Board of Directors.

Responsible party: CEO and CFO
Estimated Completion Date: Completed October 2016

2015-002– Noncompliance: Timely submission of Annual Audit Report - As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who have are working with the external CPA to get all past due audits filed. Resolving finding 2015-001 above is expected to resolve this finding as well for 2018's audit.

Responsible party: CEO and CFO
Estimated completion date: For the audit for the year ending December 31, 2018.

2015-003 – Noncompliance: Failure to Correctly Apply Sliding Fee Scale (originated in 2014; 2014-01)– 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.

Responsible party: CEO and CFO
Estimated completion date: January 2016



2015-004 – Noncompliance: Failure to Provide Required Primary Health Services (originated in 2014; 2014-02) – During the September 2017 site visit, the program requirement of provision of required primary health services was not met. It was not met due to not having proper contractual relationships in place for provision of services or referral for services when the health center did not provide the services itself. Common Ground Health Clinic for required services either now directly provides them, has contracted with another provider to provide them and pays for them, or has written referral arrangements in place that conform to the requirements of the grant. This compliance has been demonstrated with HRSA.

Responsible party: CEO and CFO

Estimated completion date: June 30, 2018

2015-005 – Material Weakness In Monitoring of Federal Disbursements (originated in 2014; 2014- 04) - The clinic implemented the policies, procedures, and controls that were drafted in late 2014 and implemented in 2015 under the general accounting section of properly tracking and monitoring grant expenditures. Blackbaud Accounting System is being implemented to properly track expenditures.

Responsible party: CEO and CFO

Estimated completion date: June 30, 2018

2015-006 – Noncompliance: Timely submission to Federal Audit Clearinghouse - As stated above, beginning October 2016, the Clinic on boarded a new CEO and CFO who have are working with the external CPA to get all past due audits filed. Resolving finding 2015-001 above is expected to resolve this finding as well for 2018's audit.

Responsible party: CEO and CFO

Estimated completion date: For the audit for the year ending December 31, 2018.