

OUTPATIENT MEDICAL CENTER, INC.

AUDITED FINANCIAL STATEMENTS

JANUARY 31, 2019
(With Summarized Financial
Information for 2018)

OUTPATIENT MEDICAL CENTER, INC.
January 31, 2019
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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2019, and the related statements of operations and changes in net assets, statement functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outpatient Medical Center, Inc., as of January 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Outpatient Medical Center, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19-24 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 July 19, 2019, on our consideration of Outpatient Medical Center, 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 solely 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 Outpatient Medical Center, Inc.'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 Outpatient Medical Center, Inc.'s internal control over financial reporting and compliance.

Brown, E & F Co.

Ridgeland, Mississippi
July 19, 2019

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2019
(With Summarized Financial Information for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 403,037	\$ 522,183
Patient care receivables, less allowance of \$1,317,083 for doubtful accounts	619,890	252,707
Grants and contracts receivable	-	72,001
Prepaid expenses	<u>8,996</u>	<u>-</u>
Total Current Assets	<u>1,031,923</u>	<u>846,891</u>
Fixed Assets:		
Land	106,500	106,500
Building and improvements	3,810,755	3,810,755
Furniture and equipment	1,662,907	1,642,966
Leasehold improvements	95,187	95,187
Vehicles	<u>25,815</u>	<u>25,815</u>
	5,701,164	5,681,223
Less: Accumulated depreciation	<u>(3,943,334)</u>	<u>(3,780,072)</u>
Net Fixed Assets	<u>1,757,830</u>	<u>1,901,151</u>
Other Assets		
Debt issuance costs, net	<u>31,831</u>	<u>31,831</u>
TOTAL ASSETS	<u>\$ 2,821,584</u>	<u>\$ 2,779,873</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2019
(With Summarized Financial Information for 2018)

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current Liabilities:		
Accounts payable	\$ 299,718	\$ 212,604
Other payroll deductions payable	10,625	11,613
Salaries payable	112,248	111,400
Accrued annual leave	97,264	91,416
Other liabilities	19,878	5,475
Bonds payable, current portion	74,588	75,114
Capital leases payable, current portion	<u>10,617</u>	<u>11,163</u>
Total Current Liabilities:	<u>624,938</u>	<u>518,785</u>
Long-Term Liabilities		
Bonds payable	779,793	855,172
Capital lease payable	10,617	21,780
Less: current portion	<u>(85,205)</u>	<u>(86,277)</u>
Total Long-Term Liabilities	<u>705,205</u>	<u>790,675</u>
Total Liabilities	<u>1,330,143</u>	<u>1,309,460</u>
Net Assets:		
Without Donor Restrictions		
Undesignated (operating)	819,669	551,400
Board designated reserve	67,523	67,287
Fixed assets	<u>579,072</u>	<u>737,237</u>
Totals	1,466,264	1,355,924
With Donor Restrictions	<u>25,177</u>	<u>114,489</u>
Total Net Assets	<u>1,491,441</u>	<u>1,470,413</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,821,584</u>	<u>\$ 2,779,873</u>

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

EXHIBIT II

OUTPATIENT MEDICAL CENTER, INC.
Statement of Operations and Changes in Net Assets
For the Year Ended January 31, 2019
(With Summarized Financial Information for 2018)

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
	<u>Operations</u>	<u>Fixed Assets</u>			
SUPPORT AND REVENUES (Note 2)					
Support:					
Grants and contracts	\$ 2,991,554	-	266,607	\$ 3,258,161	\$ 3,240,970
Net assets released from restrictions	355,919	-	(355,919)	-	-
Total Support	<u>3,347,473</u>	<u>-</u>	<u>(89,312)</u>	<u>3,258,161</u>	<u>3,240,970</u>
Revenue:					
Health care services, net of charity, bad debts and contractual adjustments of \$3,525,595	3,372,249	-	-	3,372,249	1,992,449
Fundraising income	124,500	-	-	124,500	131,507
Interest income	239	-	-	239	2,430
Other income	166,164	-	-	166,164	29,029
Total Revenue	<u>3,663,152</u>	<u>-</u>	<u>-</u>	<u>3,663,152</u>	<u>2,155,415</u>
TOTAL SUPPORT AND REVENUES	<u>7,010,625</u>	<u>-</u>	<u>(89,312)</u>	<u>6,921,313</u>	<u>5,396,385</u>
EXPENSES					
Program Services					
Health care services	2,757,057	-	-	2,757,057	2,139,925
Community services	513,137	-	-	513,137	194,700
Total Program Services	<u>3,270,194</u>	<u>-</u>	<u>-</u>	<u>3,270,194</u>	<u>2,334,625</u>
Supporting Services					
Management and general	3,367,509	163,262	-	3,530,771	3,021,902
Fundraising	99,320	-	-	99,320	85,300
Total Supporting Services	<u>3,466,829</u>	<u>163,262</u>	<u>-</u>	<u>3,630,091</u>	<u>3,107,202</u>
TOTAL EXPENSES	<u>6,737,023</u>	<u>163,262</u>	<u>-</u>	<u>6,900,285</u>	<u>5,441,827</u>
Change in Net Assets	<u>273,602</u>	<u>(163,262)</u>	<u>(89,312)</u>	<u>21,028</u>	<u>(45,442)</u>
Net Assets, Beginning of Year	618,687	737,237	114,489	1,470,413	1,518,005
Prior period adjustment	-	-	-	-	-
Net Assets, as restated	<u>618,687</u>	<u>737,237</u>	<u>114,489</u>	<u>1,355,924</u>	<u>1,518,005</u>
Other changes in net assets					
Acquisition of fixed assets	(5,097)	5,097	-	-	-
	<u>(5,097)</u>	<u>5,097</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 887,192</u>	<u>579,072</u>	<u>25,177</u>	<u>\$ 1,491,441</u>	<u>\$ 1,472,563</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Statement of Functional Expenses
For the Year Ended January 31, 2019
(With Summarized Financial Information for 2018)

	Health Care Services	Community Services	Total Program Services	Management and General	Fundraising	2018	2017
Personnel	\$ 2,024,890	324,932	2,349,822	1,568,495	26,506	\$ 3,944,823	\$ 2,706,849
Fringe benefits	271,975	32,036	304,011	454,508	1,149	759,668	574,695
Travel	19,383	21,317	40,700	62,281	-	102,981	94,731
Supplies	147,357	46,572	193,929	115,293	2,233	311,455	352,348
Equipment rental	6,321	46	6,367	50,736	-	57,103	40,084
Contractual	72,271	44,058	116,329	351,038	-	467,367	308,092
Equipment expense	23,766	264	24,030	13,590	-	37,620	86,009
Legal and accounting	-	-	-	42,394	-	42,394	28,986
Dues and subscriptions	5,670	3,810	9,480	48,847	475	58,802	64,542
Utilities	-	-	-	162,726	-	162,726	185,715
Repairs and maintenance	149,726	298	150,024	56,978	-	207,002	186,496
Insurance	-	-	-	29,804	-	29,804	26,200
Staff recruitment	6,800	-	6,800	69,260	-	76,060	173,571
Advertisement	920	15,696	16,616	88,069	-	104,685	70,333
Security	-	-	-	1,248	-	1,248	1,507
Continuing education	6,625	884	7,509	23,243	-	30,752	12,721
Communications	12,776	3,353	16,129	85,643	-	101,772	96,463
Amortization expense	-	-	-	-	-	-	3,345
Janitorial	-	-	-	339	-	339	15,322
Space cost	-	12,000	12,000	100,727	54,555	167,282	134,558
Interest	-	-	-	29,779	-	29,779	37,971
Taxes, licenses and fees	-	-	-	-	14,402	14,402	2,266
Bank charges	16	-	16	8,737	-	8,753	9,265
Food and beverage	985	1,592	2,577	9,859	-	12,436	30,058
Board expenses	-	-	-	2,731	-	2,731	4,345
Property taxes	-	-	-	4,544	-	4,544	7,396
Other	7,576	6,279	13,855	(13,360)	-	495	16,418
Total expenses before depreciation	<u>2,757,057</u>	<u>513,137</u>	<u>3,270,194</u>	<u>3,367,509</u>	<u>99,320</u>	<u>6,737,023</u>	<u>5,270,286</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,262</u>	<u>-</u>	<u>163,262</u>	<u>171,541</u>
Total Expenses	<u>\$ 2,757,057</u>	<u>513,137</u>	<u>3,270,194</u>	<u>3,530,771</u>	<u>99,320</u>	<u>\$ 6,900,285</u>	<u>\$ 5,441,827</u>

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

EXHIBIT IV

OUTPATIENT MEDICAL CENTER, INC.
Statement of Cash Flows
For the Year Ended January 31, 2019
(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 21,028	\$ (47,592)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	163,262	171,541
Decrease (increase) in:		
Patient care receivables	(367,182)	(38,541)
Grants and contracts receivable	72,001	(72,001)
Debt issuance costs	-	3,345
Prepaid expenses	(8,996)	-
Increase (decrease) in:		
Accounts payable	87,114	166,687
Accrued salaries payable	848	59,587
Other payroll deductions payable	(990)	6,156
Other liabilities	14,403	(6,816)
Accrued annual leave	5,849	13,448
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(12,663)</u>	<u>255,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(19,941)</u>	<u>(95,187)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(19,941)</u>	<u>(95,187)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable and capital leases	<u>(86,542)</u>	<u>(85,475)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(86,542)</u>	<u>(85,475)</u>
NET INCREASE (DECREASE) IN CASH	(119,146)	75,152
CASH, BEGINNING OF YEAR	<u>522,183</u>	<u>447,031</u>
CASH, END OF YEAR	<u>\$ 403,037</u>	<u>\$ 522,183</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 29,779</u>	<u>\$ 37,971</u>

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

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 1 - ABOUT THE ORGANIZATION

Outpatient Medical Center, Inc. (OPMC), a non-profit corporation, was incorporated in the State of Louisiana as of December 1997. The primary purpose of the Corporation is to provide outpatient health care in a medically underserved area to patients who otherwise would have limited access to health care. The Corporation is supported through a grant from Public Health Service, a component of the U.S. Department of Health and Human Services.

The fiscal year of OPMC is February 1 to January 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Outpatient Medical Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of functional expenses.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, Accounting for Contributions Received and Contributions Made, 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 Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.

The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds, is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.

I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Operations as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

J. Employees' Annual Leave - OPMC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.

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

L. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by the Center. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center grants credit without collateral to patients, most of whom are local residents and are insured under thirty-party payor agreements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- M. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information, and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.
- N. Debt Issuance Costs - Debt issuance costs are recorded at cost and amortized on a straight-line basis over the term of the debt (15 years).
- O. Classification of Net Assets - Net Assets of OPMC are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
 - b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 403,037	\$ 403,037
Financial liabilities:	Carrying Amount	Fair Value
Long-term bonds payable	\$ 779,793	\$ 779,793
Capital lease payable	\$ 10,617	\$ 10,617

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in six (6) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At January 31, 2019, the Organization did not have an uninsured cash balance.

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects the Center's financial assets as of January 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at January 31, 2019.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019
Cash and cash equivalents	\$ <u>403,037</u>
Total financial assets	<u>403,037</u>
Board-designated funds	<u>67,523</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ <u>335,514</u></u>

NOTE 6 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at January 31, 2019:

Accounts receivable:	Amount
Patients	\$ 272,692
Government	1,418,134
Other	<u>246,147</u>
	<u>\$ 1,936,973</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 6 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

Allowance for doubtful accounts is summarized as follows at January 31, 2019

Allowance :	Amount
Patients	\$ 154,674
All Other	1,162,409
	\$ 1,317,083

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at January 31, 2019:

Patient Service Revenue	Amount
Patient Service Revenue	\$ 6,897,844
Less: Contractual adjustment under third-party reimbursement program and discounts	(3,031,541)
Provision for bad debts	(494,054)
Net Patient Service Revenue	\$ 3,372,249

NOTE 8 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 106,500
Buildings and Improvements	3,810,755
Leasehold Improvements	95,187
Furniture and Equipment	1,662,907
Vehicles	25,815
Total Property and Equipment	5,701,164
Less: Accumulated Depreciation	(3,943,334)
Net Property and Equipment	\$ 1,757,830

Depreciation expense for the year ended January 31, 2019 totaled \$163,262.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 9 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. Therefore, no provision has been made for Federal or state corporate income taxes in the accompanying financial statements.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2016, 2017, and 2018 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

NOTE 10 - RETIREMENT PLAN

The Center has a Section 403(b) plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended January 31, 2019, the plan was properly funded. Retirement expense recognized was \$67,904 for the year ended January 31, 2019.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at January 31, 2019 in the amount of \$97,264 is included in the financial statements. See Note 2.J. above.

NOTE 12 - SUMMARY OF FUNDING AND SUPPORT

Outpatient Medical Centers' operations are funded through restricted grants from HHS. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services - Health Center Cluster	H80CS00513	2/1/18-1/31/19	\$ 2,973,696
Rapides Foundation	N/A	2/1/18-1/31/19	176,607
Black Women's Health Imperative	1NU58DP006367-01-00	2/1/18-1/31/19	90,000
Louisiana Primary Care Association	N/A	2/1/18-1/31/19	<u>17,858</u>
TOTALS			\$ <u>3,258,161</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 13 - BONDS PAYABLE

Bonds payable consist of the following at January 31, 2019:

Bonds series 2012 payable to Capital One Bank; fixed interest rate of 4.09% due in monthly installments of \$9,131 which includes principal and interest; matures July 1, 2027; secured by real estate. \$ 779,793

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2020	\$ 78,289	\$ 28,058	\$ 106,347
2021	81,516	24,531	106,047
2022	85,043	20,937	105,980
2023	88,638	17,190	105,828
2024	92,384	13,327	105,711
Thereafter	353,923	15,065	368,988
Totals	\$ 779,793	119,108	\$ 898,901

NOTE 14 - LEASED EQUIPMENT UNDER CAPITAL LEASE

The Center leases certain computer equipment under non-cancelable capital leases expiring in 2020. The capital lease obligations are collateralized by the equipment.

Future minimum lease payments under these capital leases as of January 31, 2019 are as follows:

Year Ending January 31:	
2020	\$ <u>11,474</u>
Total future lease payments	11,474
Less: amount representing interest	<u>(857)</u>
Present value of minimum lease payments	\$ <u>10,617</u>

Depreciation taken on assets under capital lease was \$7,889 for the year ended January 31, 2019.

NOTE 15 - LITIGATION

Outpatient Medical Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers, and other insurance coverage in amounts the Organization believes to be adequate. The Organization requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 16 - LITIGATION (Continued)

In the ordinary course of its business, Outpatient Medical Center, Inc. is a party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, the Organization is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits, or investigations will not have a material adverse effect on the financial position or results of operations of Outpatient Medical Center, Inc.

NOTE 17 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 43% of the Organization's funding is provided by direct grants from the U.S. Department of Health and Human Services.

NOTE 18 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Uniform Guidance. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 19 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for in the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2018, from which the summarized information was derived.

NOTE 20 - NET ASSETS WITHOUT DONOR RESTRICTIONS (BOARD DESIGNATED RESERVE)

The Board of Directors established a reserve account to cover gross expenses for future obligations. The funds for this reserve account are maintained in a separate bank account and can only be utilized by board approval.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 21 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions result primarily from timing restrictions on grants awarded during the fiscal year but designated for use in current and subsequent fiscal years.

The Center's net assets with donor restrictions as of January 31, 2019, consisted of the following:

Grant for Diabetes Prevention Program (Black Women's Health Imperative)	\$ <u>25,177</u>
Total Net Assets with Donor Restrictions	\$ <u><u>25,177</u></u>

NOTE 22 - OPERATING LEASES

Future minimum lease payments for the Leesville site under noncancelable operating leases with initial or remaining terms in excess of one year at January 31, 2019, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 79,152
2021	79,152
2022	79,152
2023	<u>52,768</u>
Total minimum lease payments	\$ <u><u>290,224</u></u>

NOTE 23 - NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Revenue from the Medicare and Medicaid programs accounted for approximately 9 percent and 89 percent, respectively, of the Center's net patient revenue for the year ended January 31, 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 24 - ADVERTISING

Outpatient Medical Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending January 31, 2019, advertising cost totaled \$104,685.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2019

NOTE 25 - NEW ACCOUNTING PRONOUNCEMENTS

ASU (Accounting Standards Update) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU will simplify and improve how a not-for-profit organization classifies its net assets and presents expenses, as well as, the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

NOTE 26 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 19, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended January 31, 2019

In accordance with Act 706 passed during the 2014 regular Louisiana Legislative Session, the compensation, benefits, reimbursements and other payments to the Chief Executive Officer are presented as follows:

Category	Amount	Total
Salary	\$ <u>156,841</u>	
Total salary		\$ 156,841
Benefits:		
Health insurance	\$ 8,844	
Retirement	<u>5,956</u>	
Total benefits		14,800
Travel:		
Travel	<u>3,314</u>	
Total travel		<u>3,314</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>174,955</u>

OUTPATIENT MEDICAL CENTER, INC.
Combining Schedule of Support and Revenues
For the Year Ended January 31, 2019

	<u>HHS Section 330 Funds</u>	<u>Rapides Foundation</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Support:			
Grants and contracts	\$ 2,973,696	176,607	\$ 3,150,303
Total Support	<u>2,973,696</u>	<u>176,607</u>	<u>3,150,303</u>
Revenue:			
Health care services, net of charity, bad debt and adjustments of \$3,525,595	3,372,249	-	3,372,249
Fundraising income	124,500	-	124,500
Interest income	239	-	239
Other income	<u>166,164</u>	<u>-</u>	<u>166,164</u>
Total Revenue	<u>3,663,152</u>	<u>-</u>	<u>3,663,152</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 6,636,848</u>	<u>176,607</u>	<u>\$ 6,813,455</u>

SCHEDULE C

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Health Care Services Expenses
 For the Year Ended January 31, 2019

<u>EXPENSES</u>	<u>HHS</u> <u>Section 330</u>
Personnel	\$ 2,024,890
Fringe benefits	271,975
Travel	19,383
Supplies	147,357
Equipment rental	6,321
Contractual	72,271
Equipment expense	23,766
Dues and subscriptions	5,670
Repairs and maintenance	149,726
Staff recruitment	6,800
Advertisement	920
Continuing education	6,625
Communications	12,776
Bank and finance charges	16
Food	985
Other	<u>7,576</u>
Total Healthcare Services Expenses	<u>2,757,057</u>
 TOTAL EXPENSES	 <u>\$ 2,757,057</u>

SCHEDULE D

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Community Services Expenses
 For the Year Ended January 31, 2019

<u>EXPENSES</u>	<u>Rapides Foundation</u>	<u>HRSA Outreach Grant</u>	<u>Black Woman's Initiative</u>	<u>Total</u>
Personnel	\$ 191,794	\$ 91,468	\$ 41,670	\$ 324,932
Fringe benefits	20,174	8,578	3,284	32,036
Travel	2,236	11,749	7,332	21,317
Supplies	16,886	9,031	20,655	46,572
Equipment rental	46	-	-	46
Contractual	13,222	-	30,836	44,058
Equipment expense	264	-	-	264
Dues and subscriptions	826	2,164	820	3,810
Repairs and maintenance	298	-	-	298
Advertisement	1,950	13,746	-	15,696
Continuing education	199	-	685	884
Communications	1,121	201	2,031	3,353
Space cost	-	-	12,000	12,000
Food	1,212	380	-	1,592
Other	769	-	5,510	6,279
Total Community Services Expenses	<u>250,997</u>	<u>137,317</u>	<u>124,823</u>	<u>513,137</u>
 TOTAL EXPENSES	 <u>\$ 250,997</u>	 <u>\$ 137,317</u>	 <u>\$ 124,823</u>	 <u>\$ 513,137</u>

SCHEDULE E

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Management and General Expenses
 For the Year Ended January 31, 2019

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 1,568,495
Fringe benefits	454,508
Travel	62,281
Supplies	115,293
Equipment rental	50,736
Contractual	351,038
Equipment expense	13,590
Legal and accounting	42,394
Dues and subscriptions	48,847
Utilities	162,726
Repairs and maintenance	56,978
Insurance	29,804
Staff recruitment	69,260
Advertisement	88,069
Security	1,248
Continuing education	23,243
Communications	85,643
Janitorial	339
Space cost	100,727
Interest expense	29,779
Bank and finance charges	8,737
Food	9,859
Board expenses	2,731
Property taxes	4,544
Other	<u>(13,360)</u>
Total Management & General Expenses	<u>3,367,509</u>
TOTAL EXPENSES	<u>\$ 3,367,509</u>

SCHEDULE F

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Fundraising Expenses
 For the Year Ended January 31, 2019

<u>EXPENSES</u>	<u>Bingo</u>
Personnel	\$ 26,506
Fringe benefits	1,149
Supplies	2,233
Dues and subscriptions	475
Space cost	54,555
Taxes, licenses and fees	<u>14,402</u>
Total Expenses	<u>\$ 99,320</u>

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Expenditures of Federal Awards
 For the Year Ended January 31, 2019

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration Bureau of Primary Health Care			
Direct Programs:			
Health Center Cluster			
Health Center Grant	93.224	H80CS00513	\$ 1,026,162
Affordable Care Act Grants	93.527	H80CS00513	<u>1,947,534</u>
Total Health Center Cluster			<u>2,973,696</u>
Pass through Black Women's Health Imperative National Diabetes Prevention Program	93.261	1NU58DP006367-01-00	<u>90,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,063,696</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,063,696</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2019

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Outpatient Medical Center, Inc. under programs of the federal government for the year ended January 31, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Outpatient Medical Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Outpatient Medical Center, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDIRECT COST RATE

Outpatient Medical Center, Inc. does not have indirect cost and has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

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
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2019, and the related statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 2019-1, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Outpatient Medical Center, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Outpatient Medical Center, Inc.'s Response to Findings

Outpatient Medical Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Outpatient Medical Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Eg & Co.

Ridgeland, Mississippi
July 19, 2019



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

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Outpatient Medical Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Outpatient Medical Center, Inc.'s major federal programs for the year ended January 31, 2019. Outpatient Medical Center, Inc.'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Outpatient Medical Center, Inc.'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 Outpatient Medical Center, Inc.'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 Outpatient Medical Center, Inc.'s compliance.

Basis for Qualified Opinion on Health Center Cluster, CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Program

As described in the accompanying schedule of findings and questioned costs, Outpatient Medical Center, Inc. did not comply with requirements regarding Special Tests and Provisions-Sliding Fee Discount of CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Cluster Program as described in finding number 2019-2. Compliance with such requirements is necessary, in our opinion, for Outpatient Medical Center, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Health Center Cluster Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Outpatient Medical Center, Inc. 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 Center Cluster program for the year ended January 31, 2019.

Report on Internal Control Over Compliance

Management of Outpatient Medical Center, Inc. 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 Outpatient Medical Center, Inc.'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 Outpatient Medical Center, Inc.'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. *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.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Outpatient Medical Center, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Outpatient Medical Center, Inc.'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.

Braun, E & Co.

Ridgeland, Mississippi
July 19, 2019

OUTPATIENT MEDICAL CENTER, INC.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2019

There were no findings noted in our audit report for the year ended January 31, 2018.

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended January 31, 2019

Section 1: Summary of Auditor's Results

- | 1. | Type of auditor's report issued on the financial statements. | Unmodified | | | | | | |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------|-----------------------------------|--------|----------------------------|--------|--|
| 2. | Material noncompliance relating to the financial statements. | None | | | | | | |
| 3. | Internal control over financial reporting: | | | | | | | |
| | a. Material weaknesses identified? | Yes | | | | | | |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported | | | | | | |
|
Federal Awards: | | | | | | | | |
| 4. | Type of auditor's report issued on compliance for major federal programs | Qualified | | | | | | |
| 5. | Internal control over major programs: | | | | | | | |
| | a. Material weaknesses identified? | No | | | | | | |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported | | | | | | |
| 6. | Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a)? | Yes | | | | | | |
| 7. | Federal programs identified as major programs: | | | | | | | |
| | <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">HEALTH CENTERS CLUSTER</th> <th style="text-align: left; border-bottom: 1px solid black;">CFDA NUMBER</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Consolidated Health Centers Grant</td> <td style="padding-left: 20px;">93.224</td> </tr> <tr> <td style="padding-left: 20px;">Affordable Care Act Grants</td> <td style="padding-left: 20px;">93.527</td> </tr> </tbody> </table> | HEALTH CENTERS CLUSTER | CFDA NUMBER | Consolidated Health Centers Grant | 93.224 | Affordable Care Act Grants | 93.527 | |
| HEALTH CENTERS CLUSTER | CFDA NUMBER | | | | | | | |
| Consolidated Health Centers Grant | 93.224 | | | | | | | |
| Affordable Care Act Grants | 93.527 | | | | | | | |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$750,000 | | | | | | |
| 9. | Auditee did qualify as a low-risk auditee. | | | | | | | |

Section 2: Findings - Financial Statements Audit

Finding 2019-1

BANK RECONCILIATIONS

Material Weakness

Condition

During our review of bank reconciliations, we noted that the operating account and 340B account reconciliations did not agree to the general ledger.

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2019

Cause

The operating account reconciliation included inaccurate reconciling items that had not been researched and the 340B account activity had not been recorded for the year.

Effect

Unreconciled accounts resulting in inaccurate accounting records

Criteria

Policy Number 1.8 of the Center's Financial Policies and Procedures manual states that "Bank accounts are reconciled on a monthly basis".

Recommendation

The Center should strengthen internal administrative controls to ensure that bank reconciliations for all accounts are completed timely and reconcile to the general ledger.

Section 3: Findings and Questioned Costs - Major Federal Award Program Audit

Finding 2019-2

SPECIAL TESTS & PROVISIONS: SLIDING FEE SCALE

**U. S. Department of Health and Human Services
Health Center Cluster Grant; CFDA #93.224 and #93.527**

Condition

During our test of sliding fee patients, we noted nine (9) instances out of 40 patient files reviewed in which the sliding fee was improperly calculated.

Cause

Failure to follow established Center procedures

Effect

Improper calculation of sliding fee discount

Criteria

Department of Health & Human Services guidelines, Section 330 of the PHS Act and 42 CFR Part 51c.303(f) which states Health Centers must provide a full discount to individuals with an annual income at or below 100% of the poverty guidelines and for those with incomes between 100% and 200% of poverty, fees must be charged in accordance with a sliding discount policy based on family size and income.

Recommendation

The Center should strengthen internal administrative controls to ensure that appropriate documentation is maintained on file to support a patient's family income. The Center should also ensure the fees charged and level of discount a patient receives is calculated correctly based on income and family size.



Outpatient Medical Center, Inc.
Providing Quality Healthcare To All

CORPORATE

105 Jefferson St.
Natchitoches, LA 71457

SITE ADDRESSES

1640 Breazeale Springs St.
Natchitoches, LA 71457
Office 318.352.9299
Fax 318.356.9546

SCHOOL BASED

1500 Gold St.
Natchitoches, La 71457
Office 318.238.7440
Fax 318.238.7439

908B South 10th St.

Leesville, LA 71446
Office 337.238.1274
Fax 337.239.2225

804 Beech St.

Tallulah, LA 71282
Office 318.574.1453
Fax 318.574.5876

Outpatient Medical Center's response to Finding 2019-1 is as follows:

It is the policy and procedure (policy number 1.8) that bank accounts are to be reconciled monthly. This finding has its basis in that account OO-0-000-1010, the 340B Cash Account balance has been a static balance since November 2013. The apparent cause is that through changes in the Center's Chief Financial Officer position has led to lost or misplaced files that give key account information and that Bank of America, located at 100 No. Tryon Street, Charlotte, N.C. had long since stopped sending monthly statements of account. With the assistance of our audit firm, Brown, Ewing & Co. the Center now has the information to change the Bank's records and begin to receive monthly statement and reconcile this account. In regard to the operating account, GL # OO-0-000-1014, monthly reconciliations had been performed monthly until the early 4th quarter of FY 2019 at which time as several transactions & errors occurred that had to do with the manner our GL system handled intra-period void check transactions creating an out of balance situation which has taken several months to correct. The Controller will implement stronger controls to insure problems are more quickly identified and timely corrective actions are taken.

Outpatient Medical Center's response to Finding 2019-2 is as follows:

The audit tested the sliding fee schedule in effect during the fiscal year ended January 31, 2019 and noted that 9 of 40 patient files tested had a sliding fee applied that was improperly calculated in accordance with the Center's procedures. Outpatient Medical Center, Inc. completed a HRSA survey conducted from July 23, 2019 through July 25, 2019. During this survey, HRSA noted that the Center's policy and procedures needed revision because the Center was calculating the discount correctly but the calculation method according to procedure was not correct. As a result of this survey, the Center's Sliding Fee Schedule Policy and Procedure has been revised to meet the HRSA requirements. The Center's billing supervisor will implement stronger controls to report to the Chief Financial Officer, Chief Executive Officer and the Board monthly summary of number of sliding fee patients, the total charges amount discounts applied to each sliding fee schedule and a random monthly testing of calculations.

OUTPATIENT MEDICAL CENTER, INC.
AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JANUARY 31, 2019



INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Outpatient Medical Center, Inc. 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 February 1, 2018 through January 31, 2019. 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:

Collections

1. 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).

The CFO confirmed that the Center has three deposit sites that is the physical location where a deposit is prepared and reconciled. Confirming the deposit sites with the CFO is management's representation that the list is complete.

2. 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:

For each deposit sites, there is one collection location. We obtained a list of three collection locations from management (along with management's representation that the list is complete) and we selected the three collection locations.

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

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff are responsible for collecting patient fees do not share cash drawers.

- 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.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee responsible for collecting cash) is not the same person preparing/making bank deposits (who is the Site Manager).

- 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.

We obtained and inspected the Center's written policies and procedures and verified that the front desk staff (employee(s) responsible for collecting cash) is not the same person posting collection entries to the general ledger or subsidiary ledgers (who is the Accounting Manager).

- 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.

We obtained and inspected the Center's written policies and procedures at PF 31-2, Policy No. 5.2 and verified that the front desk staff (employee(s) responsible for collecting cash) is not the same employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers (who is the Accounting Manager).

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

We inquired of management and verified that all employees who have access to cash are covered by a bond or insurance policy for theft.

4. 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.

Receipts were printed electronically from Greenway. We haphazardly selected two deposits dates for the three selected collection locations.

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

We traced the selected receipts from the "Daily Receipts" report to the bank deposit slips.

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

We traced the deposit slip to the actual deposit per the bank statement.

- 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).

We tested the date of receipt to the date of deposit and found that four (4) deposits were made more than one day after the day of collection or more than one week, with having the depository less than 10 miles away or the deposit being less than \$100.

Management's Response:

During this period, the Center experienced turnover of its site directors at all three clinic sites. The Center's policy and procedures require each site director to insure that weekday daily deposits occur at each of their respective sites. Management will improve the timeliness and scope of new employee training and, by using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions. The Controller will also implement stronger internal controls to ensure compliance moving forward.

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

We traced the actual deposit per the bank statement to the general ledger.

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

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

Management provided a listing of all active credit cards and fuel cards for FY19, including the card numbers and the names of the persons who maintained possession of the cards. Management also represented that the listing was complete.

6. 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

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

There were no finance charges or late fees assessed on the cards selected for testing.

7. Using the monthly statements or combined statements selected under the Bank Reconciliation requirement, 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).

We selected all three credit cards to review. We haphazardly selected one monthly/combined statement for each card and ten transactions from each card. For each transaction, some were not supported by an original itemized receipt that would have identified precisely what was purchased and some did not have written documentation of the business/public purpose. Our haphazard sample selection did not include any meal charges.

Management's Response:

The Chevron/Texaco gas card has been closed and gasoline expenses for Center owned vehicles is reimbursed by receipt only. All other employee reimbursement for travel is handled by Travel Authorization & Reimbursement form authorizing established policy per diems for meals and lodging. Hotels and Conference Fees that are paid by the Center are paid by company credit card only upon receipt of a hard-copy invoice.

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

8. 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:

Management provided a listing of all travel and travel-related expense reimbursements for FY19. Management also represented that the listing was complete.

- 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).

During our testwork, we noted that all per diem requests did agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration.

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

During our testwork, we noted that one reimbursement was not supported by an original itemized receipt that identifies precisely what was purchased.

Management's response:

Hotels and Conference fees paid directly by the Center on behalf of the employee are to be paid by credit card with a hard copy invoice in hand prior to making the credit card payment.

- 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).

During our testwork, we noted that all reimbursements were supported by documentation of the business/public purpose and other documentation required by the Center's written policy.

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

During our testwork, we noted that all reimbursements were reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

9. 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:

Management provided 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. Management also represented that the listing was complete

- 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.

We observed that all selected contracts were bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by 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).

We observed that all selected contracts were approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

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

During our review of contracts, we noted there were no contracts that were amended.

- 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.

We randomly selected one payment from the fiscal period for each of the 5 contracts, and all payments consisted of supporting invoice payments that agreed to the terms and conditions of the contract.

Other

10. 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.

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

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

Braun, E & Co.
Ridgeland, Mississippi
July 19, 2019