

Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2018

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Independent Auditor's Report

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innis Community Health Center, Inc. as of October 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of compensation, benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2019 on our consideration of Innis Community Health 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 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 Innis Community Health 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 Innis Community Health Center, Inc.'s internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, L.L.P.

February 1, 2019

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2018 and the 2017

	Assets	2018	2017
		<u> </u>	<u> </u>
Current Assets			
Cash and cash equivalents	\$	1,275,598	\$ 1,177,201
Certificates of deposit		362,983	360,814
Patient accounts receivable, net		372,311	400,339
Grant funds receivable		12,681	214,594
Other receivables		162,432	144,826
Prepaid expenses		50,847	40,706
		<u> </u>	<u> </u>
Total current assets		2,236,852	2,338,480
Property and Equipment, net		2,563,079	1,925,460
Other Assets		2,669	896
		<u> </u>	<u> </u>
Total assets	\$	<u>4,802,600</u>	\$ <u>4,264,836</u>
		<u> </u>	<u> </u>
	Liabilities and Net Assets		
Current Liabilities			
Accounts payable	\$	88,313	\$ 183,384
Accrued liabilities		670,839	679,914
Deferred revenue		28,070	-
Current portion of note payable		-	8,544
		<u> </u>	<u> </u>
Total current liabilities		787,222	871,842
Note Payable, less current portion		-	192,512
Unrestricted Net Assets		4,015,378	3,200,482
		<u> </u>	<u> </u>
Total liabilities and net assets	\$	<u>4,802,600</u>	\$ <u>4,264,836</u>
		<u> </u>	<u> </u>

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

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2018 and 2017

	2018	2017
	<u> </u>	<u> </u>
Revenue and Other Support		
Patient service revenue, net	\$ 3,179,094	\$ 2,739,674
Provision for bad debts	(74,454)	(49,809)
	<u> </u>	<u> </u>
Net patient service revenue, less provision for bad debts	3,104,640	2,689,865
Federal grants	3,188,602	3,432,072
State and other grants	132,834	128,723
Pharmacy revenue	816,544	776,839
Other revenue	196,174	222,446
	<u> </u>	<u> </u>
Total revenue and other support	7,438,794	7,249,945
	<u> </u>	<u> </u>
Expenses		
Program		
Medical	3,865,125	3,450,543
Dental	1,134,859	1,049,022
	<u> </u>	<u> </u>
Total program	4,999,984	4,499,565
Management and general	1,623,914	1,299,770
	<u> </u>	<u> </u>
Total expenses	6,623,898	5,799,335
	<u> </u>	<u> </u>
Change in Unrestricted Net Assets	814,896	1,450,610
	<u> </u>	<u> </u>
Unrestricted Net Assets		
Beginning of year, as previously reported	3,200,482	2,122,077
Prior period adjustment - see note 13	-	(372,205)
	<u> </u>	<u> </u>
Beginning of year, as restated	3,200,482	1,749,872
	<u> </u>	<u> </u>
Unrestricted Net Assets, end of year	<u><u>\$ 4,015,378</u></u>	<u><u>\$ 3,200,482</u></u>

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

Innis Community Health Center, Inc.
Statement of Functional Expenses
Year Ended October 31, 2018

	<u>Medical</u>	<u>Dental</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,341,607	\$ 539,288	\$ 2,880,895	\$ 826,469	\$ 3,707,364
Employee benefits	150,774	35,899	186,673	52,651	239,324
Payroll taxes	154,893	36,879	191,772	54,090	245,862
Billing and information systems	186,367	93,184	279,551	93,183	372,734
Depreciation and amortization	78,233	39,117	117,350	39,116	156,466
Dues and subscriptions	9,194	5,517	14,711	22,066	36,777
Insurance	16,074	16,074	32,148	32,149	64,297
Interest	-	-	-	8,240	8,240
Licenses and fees	-	-	-	16,055	16,055
Medical supplies	552,287	184,096	736,383	-	736,383
Meetings and conferences	-	-	-	10,458	10,458
Occupancy and other rents	141,838	75,091	216,929	200,243	417,172
Office	-	-	-	112,679	112,679
Professional fees	109,581	64,580	174,161	80,302	254,463
Purchased services	79,374	45,134	124,508	31,126	155,634
Travel	44,903	-	44,903	44,903	89,806
Miscellaneous	-	-	-	184	184
	<u>\$ 3,865,125</u>	<u>\$ 1,134,859</u>	<u>\$ 4,999,984</u>	<u>\$ 1,623,914</u>	<u>\$ 6,623,898</u>

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

Innis Community Health Center, Inc.
Statement of Functional Expenses
Year Ended October 31, 2017

	<u>Medical</u>	<u>Dental</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,118,923	\$ 549,963	\$ 2,668,886	\$ 719,822	\$ 3,388,708
Employee benefits	132,595	33,675	166,270	44,199	210,469
Payroll taxes	147,454	37,449	184,903	49,151	234,054
Billing and information systems	159,072	79,536	238,608	79,535	318,143
Depreciation and amortization	59,870	29,935	89,805	29,934	119,739
Dues and subscriptions	10,293	6,176	16,469	24,703	41,172
Insurance	13,872	13,872	27,744	27,743	55,487
Interest	-	-	-	855	855
Licenses and fees	-	-	-	10,180	10,180
Medical supplies	482,886	160,962	643,848	-	643,848
Meetings and conferences	-	-	-	5,353	5,353
Occupancy and other rents	106,550	56,409	162,959	150,424	313,383
Office	14,724	29,450	44,174	53,991	98,165
Professional fees	80,838	-	80,838	29,356	110,194
Purchased services	90,736	51,595	142,331	35,582	177,913
Travel	32,730	-	32,730	32,729	65,459
Miscellaneous	-	-	-	6,213	6,213
	<u>\$ 3,450,543</u>	<u>\$ 1,049,022</u>	<u>\$ 4,499,565</u>	<u>\$ 1,299,770</u>	<u>\$ 5,799,335</u>

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

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Change in unrestricted net assets	\$ 814,896	\$ 1,450,610
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	156,466	119,739
Gain on sale of property and equipment	-	(2,500)
Bad debt expense	74,454	49,809
(Increase) Decrease in assets:		
Accounts receivable	(46,426)	(38,479)
Prepaid expenses	(10,141)	(8,643)
Other receivables	(17,606)	(143,776)
Grant funds receivable	201,913	(130,821)
Other assets	(1,773)	(86)
Increase (Decrease) in liabilities:		
Accounts payable	(95,071)	112,578
Accrued expenses	(9,075)	122,621
Deferred revenue	28,070	-
	1,095,707	1,531,052
Cash Flows From Investing Activities		
Purchase of property and equipment	(794,085)	(943,784)
Proceeds from sale of property and equipment	-	2,500
Purchase of certificates of deposit	(2,169)	(300,814)
	(796,254)	(1,242,098)
Cash Flows From Financing Activities		
Proceeds from note payable	-	201,796
Principal payments on note payable	(201,056)	(740)
	(201,056)	201,056
Net Change in Cash and Cash Equivalents	98,397	490,010
Cash and Cash Equivalents, beginning of year	1,177,201	687,191
Cash and Cash Equivalents, end of year	\$ 1,275,598	\$ 1,177,201
Supplemental Cash Flow Disclosures		
Cash paid during the year for interest	\$ 8,240	\$ 855

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

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 1-Nature of Operations

Innis Community Health Center, Inc. (the "Center") is incorporated as a Louisiana nonprofit corporation located in the northern part of Pointe Coupee Parish in the Village of Innis, Louisiana with satellite clinics in Livonia, New Roads, and Maringouin.

The Center is a Federally Qualified Health Center that provides primary healthcare services to area communities in need of preventative, coordinated, and affordable healthcare in a prudent and efficient manner. The vision of the Center is, through community collaboration and partnership, to develop and promote supportive healthcare services to all people who are medically underserved, in order that they may experience all the rights, privileges, and responsibilities as members of the community.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by the Center has been limited by donors to (a) later periods of time or other specific dates, or (b) specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Center's use of the asset. At October 31, 2018 and 2017, the Center had no temporarily or permanently restricted net assets.

B. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the statements of financial position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Patient Accounts Receivable

Patient accounts receivable are generally carried at the original billed amount less contractual adjustments and the allowance for doubtful accounts. The allowance is based on management's estimates, historical experience, and a review of all outstanding amounts on an ongoing basis. Patient accounts receivable are written-off when deemed uncollectible, and recoveries, if any, are recorded when received. As of October 31, 2018 and 2017, management established an allowance of \$336,123 and \$369,287, respectively.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 2-Summary of Significant Accounting Policies (Continued)

E. Property and Equipment

Property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for equipment, furniture and fixtures, and 15 to 30 years for buildings and leasehold improvements.

All acquisitions of property and equipment in excess of \$1,000 and all expenditures that materially increase values, change capabilities, or extend useful lives of assets are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations.

F. Compensated Absences

The Center provides paid time off (PTO) for employees who meet hours worked per pay period criteria. Generally, PTO is earned on a per pay period (bi-weekly) basis ranging from 5.0 to 8.75 hours per pay period, depending on job classification and length of service. Unused PTO, up to a maximum of 300 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 300 hours will be forfeited if not used by September 30, of the subsequent year, unless otherwise approved by the Board.

G. Funding Source

The Center receives funds from the United States Department of Health and Human Services (DHHS) through the Health Resources and Services Administration. In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of the unexpended funds, or both, as a result of non-compliance by the Center with the terms of the grants. In addition, if the Center terminates the activities of the grants, all unexpended federal funds are to be returned to DHHS. The grant agreement requires the Center to provide primary healthcare to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

H. Net Patient Service Revenue

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive 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.

The Center has a sliding fee plan for patients whose income levels fall within the sliding fee guidelines and who do not have coverage with a third-party payer.

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.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 2-Summary of Significant Accounting Policies (Continued)

I. Functional Allocation

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

J. Income Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Center were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

K. Other Revenue

Other revenue is derived from services other than providing healthcare services to patients. These primarily include incentive payments related to Electronic Health Records implementation, fees for providing medical records, and Medicaid and Medicare adjustments.

Note 3-Certificates of Deposit

At October 31, 2018, the Center had 13 certificates of deposit totaling \$362,983. The certificates of deposit had interest rates ranging from 0.55% to 1.37% at October 31, 2018, and terms ranging from 6 months to 12 months, with penalties for early withdrawal. The Center's investment in certificates of deposit is carried at cost, which approximates fair market value.

At October 31, 2017, the Center had 13 certificates of deposit totaling \$360,814. The certificates of deposit had interest rates ranging from 0.40% to 1.01% at October 31, 2017, and terms ranging from 6 months to 12 months, with penalties for early withdrawal. The Center's investment in certificates of deposit is carried at cost, which approximates fair market value.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31, 2018 and 2017:

	<u>October 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2018</u>
Construction in progress	\$ 539,232	\$ -	\$ (539,232)	\$ -
Land	75,935	-	-	75,935
Office equipment	355,023	99,243	-	454,266
Furniture and fixtures	12,188	3,643	-	15,831
Medical and dental equipment	404,803	119,805	-	524,608
Vehicles	319,705	27,637	-	347,342
Building and helipad	1,133,911	1,068,189	-	2,202,100
Electronic medical records	36,631	-	-	36,631
Leasehold improvements	203,804	14,800	-	218,604
Total property and equipment	<u>3,081,232</u>	<u>1,333,317</u>	<u>(539,232)</u>	<u>3,875,317</u>
Less: accumulated depreciation and amortization	<u>(1,155,772)</u>	<u>(156,466)</u>	<u>-</u>	<u>(1,312,238)</u>
Total property and equipment, net	<u>\$ 1,925,460</u>	<u>\$ 1,176,851</u>	<u>\$ (539,232)</u>	<u>\$ 2,563,079</u>
	<u>October 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2017</u>
Construction in progress	\$ -	\$ 539,232	\$ -	\$ 539,232
Land	75,935	-	-	75,935
Office equipment	327,568	63,250	(35,795)	355,023
Furniture and fixtures	12,188	-	-	12,188
Medical and dental equipment	319,774	85,029	-	404,803
Vehicles	338,308	-	(18,603)	319,705
Building and helipad	877,638	256,273	-	1,133,911
Electronic medical records	36,631	-	-	36,631
Leasehold improvements	203,804	-	-	203,804
Total property and equipment	<u>2,191,846</u>	<u>943,784</u>	<u>(54,398)</u>	<u>3,081,232</u>
Less: accumulated depreciation and amortization	<u>(1,090,431)</u>	<u>(119,739)</u>	<u>54,398</u>	<u>(1,155,772)</u>
Total property and equipment, net	<u>\$ 1,101,415</u>	<u>\$ 824,045</u>	<u>\$ -</u>	<u>\$ 1,925,460</u>

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 5-Note Payable

The Center had a note payable due to a bank, scheduled to mature on October 2, 2022, bearing interest at 4.987%, which had an outstanding balance of \$201,056 at October 31, 2017. The note payable was collateralized by a building. The note was paid off in August 2018.

Note 6-Related Party Transactions

The Center paid rent to Pointe Coupee Health Service District #1, an entity related through a common board member, in the amount of \$38,400 and \$20,800 for the years ended October 31, 2018 and 2017, respectively.

The Center recognized \$134,049 and \$47,461 in net pharmacy revenue for the years ended October 31, 2018 and 2017, respectively, from a pharmacy owned by the daughter of a board member. The Center was owed \$17,673 and \$47,641 from this pharmacy at October 31, 2018 and 2017, respectively, which is included in other receivables on the statements of financial position.

Note 7-Legal Proceedings

The Center is involved in various lawsuits of which the outcome is not determinable. Management has judged the assertions and plans to vigorously defend against all claims.

Note 8-Operating Leases

The Center leases equipment and facilities under several operating leases. Total rental expense included in occupancy and other rents in 2018 and 2017 were \$68,956 and \$69,789, respectively.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Innis, Louisiana, with payments of \$1,600 per month terminating on June 30, 2024.

The Center has a month-to-month lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Livonia, Louisiana, with payments of \$600 per month for an indefinite lease term. Either party may terminate the lease in writing, voiding the lease within 120 days.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Maringouin, Louisiana, with payments of \$2,428 per month, terminating on November 30, 2018.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in New Roads, Louisiana, with payments of \$1,400 per month, terminating on January 1, 2023.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 8-Operating Leases (Continued)

Future minimum lease payments on non-cancelable leases for the next five fiscal years are as follows:

	<u>Amount</u>
2019	\$ 38,428
2020	36,000
2021	36,000
2022	36,000
2023	22,000

Note 9-Concentrations

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Revenues from patients and third-party payers as of October 31, 2018 and 2017 were as follows:

<u>Payer</u>	<u>Percent</u>	
	<u>2018</u>	<u>2017</u>
Medicaid	53%	52%
Medicare	14%	10%
Sliding fee/ private pay	8%	10%
Third-party payers	<u>25%</u>	<u>28%</u>
Total	<u>100%</u>	<u>100%</u>

Additionally, 43% and 47% of the Center's total unrestricted revenue and support was provided by the U.S. Department of Health and Human Services during the fiscal years ended October 31, 2018 and 2017, respectively.

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the amount insured by the FDIC. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash and cash equivalents, to minimize this potential risk.

Note 10-Retirement Plans

The Center participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may participate in the employee contribution plan when hired. This is a plan whereby employees make their own pre-tax contributions to the plan and can either increase, decrease, or stop their contributions at any time. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. There is no match by Innis Community Health Center, Inc. in the Section 403(b) tax deferred annuity plan. Employees may withdraw their contributions from the 403(b) tax deferred annuity plan upon resignation or termination.

The Center also participates in an employer contribution plan (pension plan). Employees hired after July 1, 2003 are entitled to participate in the employer contribution plan upon completion of one year of service working for the Center. Employees are vested after 3 years of employment, and may withdraw the employer's contributions to their account upon resignation or termination. The Center contributes on behalf of employees at a rate of 2% to 3% of gross salary. Employees receive 3% contributions upon 5 full years of service for the Center. The Center's contributions for 2018 and 2017 were \$50,078 and \$44,918, respectively.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2018

Note 11-Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Violations of these laws and regulations could result in exclusion from government healthcare program participation, the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center is subject to regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

Note 12-Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Note 13-Prior Period Adjustment

The accompanying financial statements for the year ended October 31, 2017 have been restated to correct an understatement in accrued liabilities for the year ended October 31, 2016. The effect of the restatement for the year ended October 31, 2017 was a decrease in unrestricted net assets and an increase in accrued liabilities in the amount of \$372,205.

Note 14-Subsequent Events

Innis Community Health Center, Inc. has evaluated all subsequent events through February 1, 2019, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

Innis Community Health Center, Inc.
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2018

Agency Head Name: Cindy Peavy, Executive Director

Purpose	Amount
Salary	\$ 144,338
Benefits - insurance	4,734
Benefits - retirement	2,887
Benefits - cell phone	-
Car allowance	-
Vehicle provided by agency	-
Per diem	-
Reimbursements	1,400
Travel	3,617
Registration fees	4,104
Conference travel	10,382
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
Innis Community Health Center, Inc.
Batchelor, 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 Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Innis Community Health 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Innis Community Health 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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Innis Community Health 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
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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*.

Innis Community Health Center, Inc.'s Response to Finding

Innis Community Health Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Innis Community Health 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.

Hawthorn, Waymouth & Carroll, LLP.

February 1, 2019



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

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**Independent Auditor's Report
on Compliance for Each Major Program and on Internal
Control over Compliance Required by the Uniform Guidance**

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Innis Community Health 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 Innis Community Health Center, Inc.'s major federal programs for the year ended October 31, 2018. Innis Community Health 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 Innis Community Health 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 Innis Community Health 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 Innis Community Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Innis Community Health 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 each of its major federal programs for the year ended October 31, 2018.

Report on Internal Control Over Compliance

Management of Innis Community Health 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 Innis Community Health 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 Innis Community Health 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.

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.

Hawthorn, Waymouth & Carroll, L.L.P.

February 1, 2019

Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Health Centers Cluster*			
Consolidated Health Centers	N/A	93.224	\$ 555,276
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	N/A	93.527	<u>2,022,149</u>
Total Health Centers Cluster			2,577,425
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	N/A	93.912	125,141
Affordable Care Act (ACA)	N/A	93.526	<u>486,036</u>
Total expenditures of federal awards			<u>\$ 3,188,602</u>

* Denotes major program

The accompanying notes are an integral part of this schedule.

Innis Community Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2018

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2018. 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 Innis Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Innis Community Health Center, Inc.

Note 2-Summary of Significant Accounting Policies

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

Note 3-Loans and Loan Guarantee Programs

Innis Community Health Center, Inc. had no loans or loan guarantee programs outstanding as of October 31, 2018 for those loans described in 2 CFR 200.502(b).

Note 4-Indirect Cost Rate

Innis Community Health Center, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5-Subrecipients

Innis Community Health Center, Inc. did not pass-through any of its federal awards to a subrecipient during the year ended October 31, 2018.

Note 6-Non-Cash Assistance

No federal awards were expended in the form of non-cash assistance during the year ended October 31, 2018.

Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting

* Material weakness(es) identified?

_____ Yes X No

* Significant deficiency(ies) identified?

X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs

* Material weakness(es) identified?

_____ Yes X No

* Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Federal Program or Cluster</u>
93.224/93.527	Health Centers Cluster

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

Auditee qualified as low-risk auditee:

_____ Yes X No

Innis Community Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended October 31, 2018

Section II – Financial Statement Findings

2018-001: Unapproved Grant Carry-Forward

Criteria:

Carryover funds should not be expended until prior approval is granted. If an entity wishes to utilize unobligated funds from one budget period during the next budget period, a prior approval request must be submitted through the EHB portal.

Condition:

At the end of the grant's budget period ending February 29, 2016, the Center reported \$372,205 in unobligated grant funds. The unobligated amount remained in the Center's available funds to be drawn during the February 28, 2017 budget period, during which time the Center drew down and expended those funds. The proper carryover request form, however, was not properly submitted through the EHB portal. As a result, the grantor agency is requiring the Center to pay those funds back.

Cause:

Management was not aware that an additional request form had to be submitted through the EHB portal. When submitting the annual form SF-425 (federal financial report) for the budget period ending 2/29/16, management properly reported \$372,205 of unobligated funds, and selected the option to carryover the amounts; however, a separate carryover form was not submitted, as required.

Effect:

The entity owes back the full amount of the unapproved carryover, \$372,205.

Auditor's Recommendation:

We recommend that management familiarize themselves with the federal grant carryover procedures.

Management's Response:

Management was unaware that this carryover was never entered or approved by HRSA. This carryover was to be completed in 2016. During that time, the Board of Directors and CEO made the decision to transition from one contracted CPA to another and hire an in-house CFO due to inadequate, untimely completion of reports and financials. The carryover was identified in the FFR report, but the PA was not entered into HRSA EHB. The error was not identified until January 2019, at which time it was reported to our PMS grant officer. Due to the error not being caught within the carryover year, we were unable to correct previous FFRs or submit a PA for the money returned. Identifying the error was further delayed by HRSA notices not going to the new contracted CPA or in-house CFO as well as having 4 different project officers assigned in one year, and due to the Executive Director's lack of knowledge on the PA carryover process. The CEO, contract CPA, and CFO have been trained on the carryover process and are in communication with the Grants' Management Office on all current and future Pas. The HRSA EHB has been updated for notices regarding reporting to go to the new contract CPA, CFO, and Executive Director.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

Innis Community Health Center, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended October 31, 2018

Section II – Financial Statement Findings

- 1) No financial statement findings were noted.
- 2) A management letter was not issued.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

**Innis Community Health Center, Inc.
Agreed-Upon Procedures Report
October 31, 2018**



**HAWTHORN
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& CARROLL, L.L.P.**
Certified Public Accountants

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Independent Accountant's Report on Applying Agreed-upon Procedures

To the Board of Directors of
Innis Community Health Center, Inc. and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Innis Community Health Center, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2017 through October 31, 2018. The Entity's management is responsible for those control and compliance 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No exceptions noted.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

c) ***Disbursements***, including processing, reviewing, and approving.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

The Entity's contracting policy does not cover the legal review process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.

No exceptions noted.

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

No exceptions noted.

Board or Finance Committee

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

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

No exceptions noted.

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

No exceptions noted.

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

The Entity is not a governmental entity; therefore, this procedure is not applicable.

Bank Reconciliations

3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for the selected account, and observed that:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Collections

4. Obtained 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.
5. For the deposit sites selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for the entity's only deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at the selected collection location, and observed that job duties are properly segregated at the selected collection location such that:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- 7. Randomly selected two deposit dates for the bank account selected for procedure #3 under “Bank Reconciliations” above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the two deposits and:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- d) Observed 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).

Two deposits were not made within one business day of receipt.

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

No exceptions noted.

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

- 8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. The entity has only one location that processes payments.

No exceptions noted.

- 9. For the one location, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

The signed check is mailed by an employee responsible for processing payments.

- 10. For the one location, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:

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

No exceptions noted.

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

No evidence supporting segregation of duties.

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

11. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.
12. Using the listing prepared by management, selected the three cards that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card, obtained supporting documentation, and:

- a) Observed 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.]

No exceptions noted.

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

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected ten transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed 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).

(1) No exceptions noted.

(2) No exceptions noted.

(3) No exceptions noted.

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

14. Obtained 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 selected five reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation for each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected;

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

This procedure is not applicable.

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

No exceptions noted.

- c) Observed 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).

No exceptions noted.

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

No exceptions noted.

Contracts

- 15. Obtained 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. Obtained management's representation that the listing is complete. Selected five contracts from the listing, excluding the practitioner's contract, and:

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

This procedure is not applicable.

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

No exceptions noted.

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

No exceptions noted.

- d) Randomly selected one payment from the fiscal period for each of the contracts selected, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

- 16. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees/officials, obtained their related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

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

- a) Observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

18. Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulative leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

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

Noted three retirement contributions that were remitted after the required deadline.

Other

20. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted it is not aware of any misappropriations of public funds or assets.

21. Observed 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.

No exceptions noted.

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 control and compliance 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 control and compliance 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.

Hawthorn, Weymouth & Carroll, L.L.P.

February 1, 2019



INNIS, LIVONIA, & MARINGOUIN COMMUNITY HEALTH CENTERS

SWAHP Management Responses:

Caring for the health needs of the Community

7. Randomly selected two deposit dates for the bank account selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the two deposits and:

d) Observed 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).

Two deposits were not made within one business day of receipt.

Management Response: New Clinic Manager for this location was unaware of the rule for deposits daily. New Manager has been retrained and CFO is monitoring daily deposits. We will identify carrier for those dates when manager is out of office.

9. For the one location, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

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

No evidence supporting segregation of duties.

Management Response: We have changed standard operating procedures to modify the process. The person signing the check, CEO/COO will now mail the payments.

10. For the one location, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:

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

No evidence supporting segregation of duties.

Management Response: Process corrected. CEO/COO will sign, date, approve invoices as they are opened prior to turning in for payment.

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

Noted three retirement contributions that were remitted after the required deadline.

Other

Management Response: This has been corrected. CFO is completing contribution transactions within 3 days of payroll. CEO/COO is signing off the contributions within 3 days.



Name



Date

