

**ST. CHARLES COMMUNITY
HEALTH CENTER, INC.**

February 29, 2004

Audit of Financial Statements

**For the Nineteen-Month Period Ended
February 29, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-15-04

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Boards of Directors
St. Charles Community Health Center, Inc.

Independent Auditor's Report

We have audited the accompanying Statement of Financial Position of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** (the Center) as of February 29, 2004, and the related Statements of Activities and Cash Flows for the nineteen-month period then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** as of February 29, 2004, and the results of its operations and its cash flows for the nineteen-month period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 26, 2004, on our consideration of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the accompanying financial information in Schedule of Functional Expenses is presented for purposes of additional information. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

May 26, 2004

ST. CHARLES COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
February 29, 2004

ASSETS

CURRENT ASSETS

Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of \$29,526	\$ 78,817
Other Receivables	<u>69,627</u>
Total Current Assets	<u>148,444</u>

PROPERTY AND EQUIPMENT

Office Equipment	18,463
Medical Equipment	<u>19,722</u>
Total	38,185
Less: Accumulated Depreciation	<u>4,370</u>
Total Property and Equipment, Net	<u>33,815</u>
Total Assets	<u>\$ 182,259</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Cash Overdraft	\$ 32,082
Accounts Payable	355,932
Accrued Expenses	54,670
Due to St. Charles Parish Hospital	<u>231,979</u>
Total Current Liabilities	<u>674,663</u>
Total Liabilities	<u>674,663</u>

NET ASSETS

Unrestricted	<u>(492,404)</u>
Total Net Assets	<u>(492,404)</u>
Total Liabilities and Net Assets	<u>\$ 182,259</u>

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

ST. CHARLES COMMUNITY HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
For the Nineteen-Month Period Ended February 29, 2004

UNRESTRICTED REVENUE AND SUPPORT	
Net Patient Service Revenue	\$ 1,036,991
Federal Grant Revenue	607,500
Other Grants and Contracts	406,511
Other	<u>305,207</u>
Total Revenue	<u>2,356,209</u>
EXPENSES	
Program Services	2,457,572
Management and General	<u>391,041</u>
Total Expenses	<u>2,848,613</u>
CHANGE IN NET ASSETS	(492,404)
NET ASSETS, BEGINNING OF PERIOD	<u>-</u>
NET ASSETS, END OF PERIOD	<u>\$ (492,404)</u>

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

ST. CHARLES COMMUNITY HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
For the Nineteen-Month Period Ended February 29, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (492,404)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	4,370
Provision for Bad Debts	194,460
(Increase) in Net Accounts Receivable	(310,685)
(Increase) in Due from Sherriff	(32,219)
Increase in Cash Overdraft	32,082
Increase in Accounts Payable	355,932
Increase in Due to Hospital	231,979
Increase in Accrued Expenses	<u>54,670</u>
Net Cash Provided By Operating Activities	<u>38,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to Property and Equipment	<u>(38,185)</u>
Net Cash Used in Investing Activities	<u>(38,185)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ -</u>

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

**ST. CHARLES COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

ST. CHARLES COMMUNITY HEALTH CENTER, INC. (the Center) was incorporated February 26, 2002 in the State of Louisiana as a non-profit organization. The Center is a Federally Qualified Health Center that provides medical supplies and treatment to residents of St. Charles Parish, Louisiana, who are financially unable to pay for all or part of such supplies and treatment.

BASIS OF ACCOUNTING

The financial statements of the Center have been prepared on the accrual basis.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report 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. The Center has no temporarily or permanently restricted net assets.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PATIENT ACCOUNTS RECEIVABLE

The Center extends credit to patients, as well as to third party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The balance in Patient Accounts Receivable is net of contractual adjustments and for the allowance for uncollectible accounts.

The Center maintains an allowance to provide for uncollectible accounts based on the estimates of management. When accounts receivable are determined to be uncollectible, they are charged to this account.

PROPERTY AND EQUIPMENT

The Center capitalizes fixed assets with costs of \$500 or greater and a useful life of three years or more. Property and equipment is stated at cost. The Center uses the straight-line depreciation method over the estimated useful lives of the assets.

**ST. CHARLES COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MAJOR 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 unexpended funds, or both, as a result of noncompliance 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. Those funds require the Center to provide primary health care to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

NET PATIENT SERVICE REVENUE

The Center has agreements with third-party payors 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 payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

INCOME TAXES

The Center is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

NON-DIRECT RESPONSE ADVERTISING

The Center expenses advertising costs as incurred.

COMPENSATED ABSENCES

Employees of the Center are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of Accrued Expenses on the Center's Statement of Financial Position was \$24,886 as of February 29, 2004.

NOTE B

DONATED FACILITIES

St. Charles Parish provides the Center, on an in-kind basis, office space which houses the administrative offices as well as the patient care facilities. The estimated rental value associated with these facilities that has been recognized in the Statement of Activities totaled \$276,500.

**ST. CHARLES COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS**

**NOTE C
COMMITMENTS AND CONTINGENCIES**

OPERATING LEASES

The Center leases office equipment under an operating lease which expires in March 2007. The total rental expense for the nineteen-month period ended February 29, 2004 was approximately \$21,286.

The following is a schedule of future minimum lease payments as of February 29, 2004:

2005	\$ 9,384
2006	9,384
2007	9,384
2008	<u>782</u>
	<u>\$ 28,934</u>

RISK MANAGEMENT

Effective August 13, 2003, the Bureau of Primary Health Care, in accordance with Section 224(h) of the Public Health Services Act deemed the Center to be an employee of the Federal Government. Section 224(a) of the Public Health Services Act provides liability protection under the Federal Tort Claims Act for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions and is exclusive of any other civil action or proceeding. This coverage is applicable to deemed entities and their officers, governing board members, employees, and contractors who are physicians or other licensed or certified health care practitioners working full-time or part-time providing family practice, general internal medicine, general pediatrics, or obstetrics/gynecological services.

**NOTE D
DUE TO ST. CHARLES PARISH HOSPITAL**

During the nineteen-month period ended February 29, 2004, St. Charles Parish Hospital (Hospital) paid costs associated with the operations of the Center. The Center is obligated to reimburse the Hospital for their payment of these costs. The amount due to the Hospital as of February 29, 2004 is \$231,979.

ST. CHARLES COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Nineteen-Month Period Ended February 29, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 1,048,615	\$ 207,652	\$ 1,256,267
Contractual Services	454,945	70,003	524,948
Bad Debt Expense	194,460	-	194,460
Rent	169,433	15,467	184,900
Benefits	158,012	21,068	179,080
Supplies	89,706	6,791	96,497
Maintenance	87,192	8,602	95,794
Insurance	74,272	5,367	79,639
Utilities	48,360	4,638	52,998
Communications	29,220	8,255	37,475
Travel	5,303	31,152	36,455
Other	27,420	3,539	30,959
Pharmaceuticals	24,988	-	24,988
Patient Supplies	13,135	-	13,135
Printing and Shipping	11,340	980	12,320
Dues and Memberships	9,801	434	10,235
Laboratory	9,492	-	9,492
Advertising	-	4,601	4,601
Depreciation	<u>1,878</u>	<u>2,492</u>	<u>4,370</u>
 Total Expenses	 <u>\$ 2,457,572</u>	 <u>\$ 391,041</u>	 <u>\$ 2,848,613</u>

See independent auditor's report.

OMB CIRCULAR A-133 SECTION

ST. CHARLES COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Nineteen-Month Period Ended February 29, 2004

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Total Revenue/ Expenditures Recognized</u>	<u>Federal Revenue/ Expenditures Recognized</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Community Health Centers Program	93.224	\$ 607,500	\$ 607,500
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>607,500</u>	<u>607,500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 607,500</u>	<u>\$ 607,500</u>

See accompanying notes to schedule of expenditures of federal awards.

ST. CHARLES COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Nineteen-Month Period Ended February 29, 2004

NOTE A

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The amounts presented in this schedule do not differ from amounts presented in, or used in the preparation of, the financial statements.

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

To the Boards of Directors
St. Charles Community Health Center, Inc.

We have audited the financial statements of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**, as of and for the nineteen-month period ended February 29, 2004, and have issued our report thereon dated May 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** in a separate letter dated May 26, 2004.

This report is intended solely for the information of the Audit Committee, Boards of Directors, Management, Louisiana Department of Health and Human Services, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LeBlanc, LeBlanc, Long & Neal

A Professional Accounting Corporation

May 26, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Boards of Directors
St. Charles Community Health Center, Inc.

Compliance

We have audited the compliance of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the nineteen-month period ended February 29, 2004. **ST. CHARLES 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s management. Our responsibility is to express an opinion on **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s compliance based on our audit.

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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **ST. CHARLES 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. Our audit does not provide a legal determination on **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s compliance with those requirements.

In our opinion, **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the nineteen-month period ended February 29, 2004.

Internal Control Over Compliance

The management of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information of the Audit Committee, Boards of Directors, Management, Louisiana Department of Health and Human Services, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, likely representing the firm's name, is positioned above the printed name.

A Professional Accounting Corporation

May 26, 2004

**ST. CHARLES COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Nineteen-Month Period Ended February 29, 2004**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.**
2. No reportable conditions relating to the audit of the financial statements of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** are reported in Part C. of this Schedule.
7. The programs tested as major programs included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Community Health Centers Program	93.224

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **ST. CHARLES COMMUNITY HEALTH CENTER, INC.** was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



WRITER'S DIRECT DIAL (504) 838-4861

May 26, 2004

Management and the Board of Directors
St. Charles Community Health Center, Inc.
843 Milling Avenue
Luling, LA 70070

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of **St. Charles Community Health Center, Inc.** (the Center) for the nineteen-month period ended February 29, 2004, we considered the Center's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 26, 2004 on the financial statements of **St. Charles Community Health Center, Inc.**

Our recommendations for improving the operation of your organization, and accordingly its profitability, are as follows:

CONTROLS OVER DISBURSEMENTS

Release of Signed Checks

Signed checks that are to be released (mailed, distributed, etc.) should be forwarded to an employee independent of the distribution process. If signed checks are returned to an employee who has access to the accounting system, the risk exists that the check, prior to being released, and the corresponding information in the accounting system could be altered without the knowledge of management. In order to mitigate this risk, signed checks that are ready to be released should be forwarded to an employee who does not have access to the accounting system.

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Management's Response

Preparer will deliver checks to Administration. Executive Management Administrative Assistant (AA) will accept checks and either hold for pick-up or deliver to mail clerk for postal pickup. AA will notify Executive Director of any unusual practice, i.e. check mailed to location other than documented, check picked up by party not affiliated with payee. Any unusual practice will be reported to the finance committee of the Board of Directors.

Review of Bank Statements

A sound internal control system provides for a "prevention control" and a "detection control." The recommendation regarding the release of signed checks serves as a "prevention control." The complementary "detection control" requires that the Executive Director review the bank statements and cancelled checks prior to the account being reconciled by the Chief Financial Officer.

Bank statements should be addressed to and opened by the Executive Director. This provides the Executive Director with the opportunity to identify any unusual disbursements. This would include disbursements for unusual amounts or to unfamiliar vendors. In addition, this allows the Executive Director to assess the monthly cash flow of the organization. Subsequent to his review, the Executive Director should forward the bank statements to the Chief Financial Officer for reconciliation.

Once the bank statements have been reconciled, the completed bank reconciliation should be forwarded to the Executive Director for review and approval. This allows the Executive Director an opportunity to review the bank reconciliation for unusual items, such as old outstanding checks, bank debit memos, etc. The Executive Director should then initial the bank reconciliation to indicate approval.

Management's Response

Bank to be noticed to "address" bank statements to "Attention Executive Director". Executive Director will personally review statements with particular attention for disbursements to unfamiliar vendors or for unusual amounts. After Executive Director "review", the bank statements will be forwarded to the CFO for reconciliation. Executive Director to review CFO's reconciliation of bank statements with particular emphasis for items such as old outstanding checks, bank debit memos, etc. Executive Director will signify review with signature and return to CFO for presentation to the Finance Committee of the Board of Directors.

CONTROLS OVER PAYROLL

Review of Payroll Information

Currently, the Center's Chief Financial Officer prepares and submits payroll information to the Center's payroll processor, Paychex. Subsequent to processing, Paychex forwards directly to the Chief Financial Officer the payroll reports they prepare. As a result, the risk exists that payroll information may be altered without being detected on a timely basis. In order to reduce this risk, payroll reports prepared by Paychex should be forwarded directly to the Executive Director or to an employee independent of the payroll process. By forwarding the payroll reports directly to the Executive Director, he has the opportunity to review the reports to determine if the payroll information (employees, wage rate, overtime, etc.) is reasonable and appropriate. After completing his review, the payroll information should then be forwarded to the Chief Financial Officer for final processing and pay distribution.

Management's Response

Payroll processor to be notified to deliver processed payroll reports and checks to Executive Directors office. Executive Director/Chief Operating Officer will review payroll report for reasonableness and appropriateness, i.e. employees, wage rate, overtime expense etc. Payroll reports will then be forwarded to CFO for review and filing. Paychecks will be delivered to employees by Executive Management (designee) or held in safe for pick-up for employees not on duty at pay time.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by the personnel at St. Charles Community Health Center, Inc. during our audit. We appreciate the opportunity to present these comments for your consideration and we will be glad to discuss them with you at your convenience. This report is intended solely for management and should not be used for any other purpose.



A Professional Accounting Corporation