



Luther Speight & Company
Certified Public Accountants and Consultants

COMMON GROUND HEALTH CLINIC, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

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Luther Speight & Company
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Common Ground Health Clinic, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Common Ground Health Clinic, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 of the financial statements, during the year ended December 31, 2019, the Clinic adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer* is required by Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of the Common Ground Health Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Common Ground Health Clinic, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read 'Luther Speight & Co', is written in a cursive style.

Luther Speight & Company CPAs
New Orleans, Louisiana
October 27, 2020

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 79,818
Accounts Receivable, Net	49,344
Prepaid Expenses and Other Assets	16,233
Fixed Assets, net	<u>161,051</u>
Total Assets	<u><u>306,446</u></u>

LIABILITIES & NET ASSETS

Liabilities

Accounts Payable	108,379
Accrued Salaries	20,898
Payroll Tax Liabilities	<u>8,179</u>
Total Liabilities	<u>137,456</u>

Net Assets

Without Donor Restrictions	<u>168,990</u>
Total Net Assets	<u>168,990</u>

TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 306,446</u></u>
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The accompanying notes are an integral part of these financial statements.

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE AND OTHER SUPPORT</u>			
Grants - Governmental	\$ 1,533,416	\$ -	\$ 1,533,416
Patient Revenue, Net	469,865	-	469,865
Miscellaneous Revenue	56,640	-	56,640
Total Revenues and Other Support	2,059,921	-	2,059,921
 <u>EXPENSES</u>			
Health Care	1,795,465	-	1,795,465
Management and General	427,804	-	427,804
Total Expenses	2,223,269	-	2,223,269
 Change in Net Assets	 (163,348)	 -	 (163,348)
Net assets, beginning of year	332,338	-	332,338
Net assets, end of year	\$ 168,990	\$ -	\$ 168,990

The accompanying notes are an integral part of these financial statements

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (163,348)
Adjustments to reconcile net income to net cash:	
Depreciation Expense	11,760
Changes in assets and liabilities	
Decrease in Receivables	25,365
Increase in Prepaid Expenses	(16,233)
Increase in Accounts Payable	71,406
Decrease in Accrued Salaries	(14,178)
Decrease in Payroll Liabilities	(5,306)
Net Cash Used by Operating Activities	<u>(90,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Purchases of Fixed Assets	<u>(147,389)</u>
Net Cash Used by Financing Activities	<u>(147,389)</u>
Net change in cash and cash equivalents	(237,923)
Cash and cash equivalents - beginning of period	317,741
Cash and cash equivalents - end of period	<u>\$ 79,818</u>

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

**COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Health Care</u>	<u>Management and General</u>	<u>Total</u>
Salaries & related expenses	\$ 1,301,216	\$ 12,287	\$ 1,313,503
Professional services and fees	182,014	39,337	221,351
Bad Debt Expense	-	237,708	237,708
Rent Expense	97,650	-	97,650
Repairs & maintenance	-	17,496	17,496
Office Expense	-	6,440	6,440
Travel, Conferences, and Staff Development	22,854	-	22,854
Insurance	49,471	-	49,471
Advertising	15,244	-	15,244
Medical Supplies	30,674	-	30,674
Utilities	-	32,877	32,877
Security	-	63,431	63,431
Medical Expenses	33,428	-	33,428
Training and Development	14,209	-	14,209
Licenses and Membership dues	15,107	-	15,107
Biohazard and Trash Removal	12,635	-	12,635
Equipment Lease/ Rental	7,476	-	7,476
Program Development and Outreach	5,006	-	5,006
Miscellaneous	-	6,468	6,468
Postage & delivery	8,481	-	8,481
Depreciation	-	11,760	11,760
	<u>\$ 1,795,465</u>	<u>\$ 427,804</u>	<u>\$ 2,223,269</u>

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

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Nature of Activities

Common Ground Health Clinic (CGHC, or the Clinic) is a 501(c) (3) tax exempt organization. CGHC started in 2005 in New Orleans, Louisiana. CGHC serves to provide quality health care for the greater New Orleans community, as well as develop programs to address community health care needs through collaborative partnerships. In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic relies primarily on federal, state, and city programs as well as private sources and various grants for on-going financial support for their operations.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at their fair market value when received.

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Basis of presentation

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the organization classifies resources for accounting and reporting purposes into two net asset categories which are with donor restrictions and without donor restrictions. A description of these two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Clinic are included in this category. The Clinic has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Clinic and therefore, their policy is to record those net assets as unrestricted.
- Net assets with donor restrictions include funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

At December 31, 2019, the Clinic did not have any net assets with donor restrictions.

Use of estimates

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

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purposes of reporting cash flows, cash consists of cash and cash equivalents. The Clinic considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable, net

Patient receivables are recorded net of contractual allowance and bad debt allowances. Management estimates contractual allowances in accordance with the reimbursement rates in the contractual arrangements. Management estimates bad debt allowances based upon management's assessment of historical and expected net collections, business and economic conditions, and other collection indicators. The primary uncertainty lies within uninsured patient receivables and deductibles, co-payments, and other amounts due from individual patients. Patient receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received. Management recorded a contractual allowance and a bad debt allowance of \$33,253 and \$24,633, respectively, as of December 31, 2019.

Property and equipment

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

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

Revenue Recognition

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

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Donated Services and Medical Supplies

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

Incentive Revenue

The Clinic receives incentive payments from various pharmacies for the treatment of patients with particular health conditions. Payments are remitted to the Clinic by the pharmacy. The Clinic records the revenue at the time of receipt as that is when they become aware that the patient qualifies for the incentive. Incentive revenues for the year ended December 31, 2019 included in miscellaneous revenue totaled \$51,886.

Functional Allocation of Expenses

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

Compensated Absences

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

Income Taxes

The Clinic is a non-profit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies as an organization that is not a private foundation as defined in Section 509 (a) of the Code. It is exempt from Louisiana income tax under the Section 121(5) of Title 47 of the Louisiana Revised Statutes. The Clinic paid no federal income tax for the year ended December 31, 2019.

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Recently Issued Financial Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. This ASU is effective for years beginning after December 15, 2018, but early adoption was permitted. The Organization adopted this accounting standard during the year ended December 31, 2019. The implementation had minimal effect on the Organization's financial statements and did not result in a retrospective adjustment to prior year net assets.

Note 3: Cash and Cash Equivalents

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

The bank balances for the Clinic, at times, may exceed federally insured limits. Management has not experienced any losses in the past, and does not believe the Clinic is exposed to a significant amount of credit risk. The Clinic had no uninsured funds as of December 31, 2019.

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4: Property and Equipment

Property and equipment consisted of the following at December 31, 2019

<u>Asset Category</u>	
Land	\$ 12,000
Leasehold Improvements	178,585
Furniture and Equipment	92,018
Donated Equipment	<u>103,055</u>
Subtotal	385,658
Accumulated Depreciation	<u>(224,607)</u>
Net Property and Equipment	<u>\$ 161,051</u>

Depreciation expense for fiscal year ended December 31, 2019 was \$11,760.

Note 5: Grants and Federal Awards

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

Health Resources and Services Administration (HRSA) Grant – In November 2013, the Clinic was awarded a HRSA grant. This grant is administered by the U.S. Department of Health and Human Services, which reimburses specified operational expenses associated with the care of the Medicare, Medicaid, and uninsured populations. Each year since 2013, the Clinic has received additional awards for the same grant. The current award has a project period through December 31, 2021. The Clinic recognized \$1,533,416 in grant revenue related to this grant during the year ended December 31, 2019.

Note 6: Patient Revenues

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

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 6: Patient Revenues (Continued)

As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare, Medicaid, and the Medicaid Greater New Orleans Community Health Connection (GNOCHC) waiver program (see additional information in Note 9 regarding GNOCHC). The Clinic also has agreements with other third-party payors that provide for payments to the Clinic at amounts different from its established billing rates.

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

Most of the Clinic's patients are Greater New Orleans residents insured under third party payer agreements. The mix of revenues from third-party payers for the years ended December 31, 2019 was as follows:

Medicaid	86%
Medicare	7%
Other Insurance	6%
Self Pay	1%
Total	<u>100%</u>

In addition to Medicare, Medicaid, and grant programs, the Clinic also provides healthcare to patients who do not qualify for these programs at a discounted cost. For the year ended December 31, 2019 the Clinic recognized \$4,082 in net patient revenues related to these patients.

Note 7: Leases

The Clinic leases office space and had rent and leasing expense related to its medical and administrative space of \$97,650 as of December 31, 2019.

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

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

2020	\$ 84,000
2021	84,000
2022	<u>3,500</u>
Total	<u>\$ 171,500</u>

Note 8: Commitments and Contingencies

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

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

The Clinic participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the Clinic for claims in excess of \$100,000 and up to \$500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to \$500,000 per occurrence. The Clinic purchased commercial insurance that provides coverage for medical malpractice up to \$2,000,000 in the aggregate in excess of the Fund limits. There were no medical malpractice cases outstanding as of December 31, 2019.

Note 9: Economic Dependency

The primary source of revenue for the Clinic is federal, state, and local grants and contracts provided through various funding agencies. The continued success of the Clinic is dependent upon the renewal of contracts from current funding sources as well as the Clinic's ability to obtain new funding. The state Medicaid program (GNOCHC) was originally scheduled to end on December 31, 2013 but was extended through June 30, 2016. Starting on July 1, 2016, the State of Louisiana expanded Medicaid which would provide service to the GNOCHC population under the traditional Medicaid model. During the year ended December 31, 2019, the Clinic received 17% of its revenue from the GNOCHC program.

COMMON GROUND HEALTH CLINIC, INC.
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 10: Liquidity and Availability of Financial Assets

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

Cash and Cash Equivalents	\$ 79,818
Accounts Receivable, Net	<u>49,344</u>
Total	<u>\$ 129,162</u>

Note 11: Defined Contribution Plan

All full-time employees meeting the minimum age and years of service requirements are covered by a defined contribution plan under the provisions of the Internal Revenue Code Section 401(k). Eligible employees who wish to participate are allowed to contribute up to maximum limits imposed by law of their annual compensation. The Clinic makes matching contributions of the employees' contribution up to the first 6% contributed for each participating employee. The Clinic incurred \$92,921 during the year ended December 31, 2019 for administrative costs and matching contributions.

Note 12: Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread across multiple countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. As of the date of this report, COVID-19 was still characterized as a pandemic. Future potential impacts may include disruptions to the Organization's operations and the ability for employees to perform their job functions.

Management evaluated subsequent events as of October 27, 2020, which is the date these financial statements were available to be issued. Management has noted that there are no additional disclosures or adjustments to these financial statements required.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD(S)
FOR THE YEARS ENDED DECEMBER 31, 2019

Purpose	Agency Head:
	Carleetha Smith Chief Executive Officer
Salary	\$ 100,917
Severance	-
Benefits- Insurance	5,232
Benefits- Retirement	2,018
Benefits- Medicare	1,463
Benefits - Worker's Comp	-
Benefits- Unemployment	-
Cell Phone and iPad Dues	-
Uniforms	-
Per Diem	161
Travel	-
Reimbursements	336
Fuel Usage	-
Conference Travel	-
Continuing Professional Education Fees	-
Housing	-
Unvouchered Expenses	-
Special Meals	-

The accompanying notes are an integral part of these financial statements



Luther Speight & Company
Certified Public Accountants and Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Common Ground Health Clinic (a nonprofit organization) (the Clinic), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Common Ground Health Clinic, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-002.

Common Ground Health Clinic Inc.'s Response to Findings

Common Ground Health Clinic Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Common Ground Health Clinic 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Luther Speight & Company CPAs
New Orleans, Louisiana
October 27, 2020



Luther Speight & Company
Certified Public Accountants and Consultants

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

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

Report on Compliance for the Major Federal Programs

We have audited Common Ground Health Clinic, Inc.'s (the Clinic) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Clinic's major federal program for the year ended December 31, 2019. The Clinic's major federal program is 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 award applicable to its federal program.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Luther Speight & Company CPAs
New Orleans, Louisiana
October 27, 2020

COMMON GROUND HEALTH CLINIC, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEARS ENDED DECEMBER 31, 2019

<u>Federal Grantor</u>	<u>Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amount Passed through to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>Department of Health and Human Services Direct Programs</u>						
	Health Center Program Cluster					
	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers)	93.224		\$ 1,533,416	\$ -	\$ 1,533,416
TOTAL FEDERAL EXPENDITURES				<u>\$ 1,533,416</u>	<u>\$ -</u>	<u>\$ 1,533,416</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMON GROUND HEALTH CLINIC, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – DE MINIMIS COST RATE

During the year ended December 31, 2019, the Clinic did not elect to use the 10% de minimis cost rate.

NOTE 4 – LOAN AND LOAN GUARANTEES

The Clinic did not expend federal awards related to loans or loan guarantees during the year ended December 31, 2019. The Clinic had no loans outstanding at the year ended December 31, 2019.

NOTE 5 – FEDERALLY FUNDED INSURANCE

The Clinic has no federally funded insurance.

NOTE 6 – NONCASH ASSISTANCE

The Clinic did not receive any federal noncash assistance for the year ended December 31, 2019.

NOTE 7 – RECONCILIATION

The federal grant revenues included in the SEFA of the Clinic, are included on the Statements of Activities for the year end December 31, 2019 under the caption Grants – governmental. The Clinic did not receive other state or local grants during the year ended December 31, 2019.

**COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

PART I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified? _____yes X no

Significant deficiencies identified
not considered to be material weaknesses? X yes _____no

Noncompliance material to financial statements noted? X yes _____no

Federal Awards

An unqualified opinion was issued on compliance.

Internal control over major programs:

Material weaknesses identified? _____yes X no

Significant deficiencies identified
not considered to be material weaknesses? _____yes X no

Other matters or instances on
noncompliance required to be reported
in accordance with the Uniform Guidance? X yes _____no

The major programs for the year ended December 31, 2019 were as follows:

Health Center Program Cluster, CFDA #93.224

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

Auditee did not qualify as a low-risk auditee.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

PART II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2019-001 – Clinic Did Not Properly Establish an Allowance For Doubtful Accounts

CRITERIA: The Clinic’s Financial Policy and Procedure Manual states an allowance system shall be used for bad debts and contractual allowances whereby estimates are made each month of the uncollectible amounts to be eventually realized from the charges generated that month. This ensures a proper matching of revenues and expenses and a more accurate stating of net receivables on the balance sheet and net revenues on the income statement. The adequacy of these allowance accounts shall be tested at least quarterly by comparison to the A/R aging and to historical experience.

CONDITION: The Clinic did not properly evaluate the adequacy of the allowance for doubtful accounts and record the proper accrual. Our examination showed that management recorded a direct write-off totaling \$237,708 during 2019.

CAUSE: Management did not follow established accounting procedures.

EFFECT: The Clinic’s financial statements did not properly match revenues and expenditures as required by generally accepted accounting principles.

QUESTIONED COSTS: None

RECOMMENDATION: Management should follow on their stated financial policies and procedures regarding the allowance for doubtful accounts.

RESPONSE: See corrective action plan starting on page 29.

COMMON GROUND HEALTH CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-002 – Lack of Reasonable Collection Efforts (Originated in 2016)

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

Federal Award Identification Number and Year: 6 H80CS26580 / 2019

Name of Federal Agency: Department of Health and Human Services

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

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

CAUSE: New management was in place during 2018 but did not fully implement the policies and procedures adopted to ensure proper recording and monitoring of patient receivables during the period.

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

QUESTIONED COSTS: Unknown

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

RESPONSE: See corrective action plan starting on page 29.

**COMMON GROUND HEALTH CLINIC, INC.
STATUS OF PRIOR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019**

<u>Finding #</u>	<u>Description</u>	<u>Resolved/Unresolved</u>
2018-001	Inaccurate Financial Close and Reporting Process	Resolved
2018-002	Timely Submission of Annual Audit Report	Resolved
2018-003	Failure to Correctly Apply Sliding Fee Scale	Resolved
2018-004	Failure to Provide Required Primary Health Services	Resolved
2018-005	Lack of Appropriate Monitoring of Federal Disbursements	Resolved
2018-006	Timely Submission of Federal Audit Clearinghouse Filing	Resolved
2018-007	Lack of Reasonable Collection Efforts	Unresolved
2018-008	Lack of Retention of Records	Resolved
2018-009	Payroll and Human Resource Procedures Not Adequate	Resolved



**Corrective Action Plan
October 27, 2020**

Common Ground Health Clinic respectfully submits the following corrective action plan for the year ended December 31, 2019.

Name and address of independent public accounting firm:

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

Audit period:

Fiscal Year January 1, 2019 – December 31, 2019.

The findings from the December 31, 2019 Schedule of Findings and questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and questioned costs.

2019-001 – Clinic Did Not Properly Establish an Allowance For Doubtful Accounts

Recommendation: Management should follow on their stated financial policies and procedures regarding the allowance for doubtful accounts.

Action Taken: The CFO along with the responsible accounting personnel will revisit the allowance procedures created in the financial policies to ensure that the agreed upon written policy and process has been established and is being utilized properly within the daily and monthly accounting process.

Responsible Party: Bryant Williams, CFO

Estimated Completion Date: January 2020

2019-002 – Lack of Reasonable Collection Efforts (Originated in 2016)

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

Action Taken: Common Ground Health Clinic (CGHC) has strongly taking this recommendation into consideration. Due to the drastic transition in 2016 previously reported in pass audits, CGHC underwent several changes, implemented several policies in 2016 and 2017, and continued to update those policies in 2018 and 2019. One of those policies was a current and efficient sliding fee scale policy. The Clinic outsourced most of the billing in 2017 and later transitioned to an experienced in-house biller in November 2017. Since the onboarding of the in-house biller, the Clinic's collection efforts have improved drastically. Even still, the current collection process is always being monitored for best available practices and will continue in 2020. Both CFO and CEO and have met with representatives of HRSA in 202 to discuss collection efforts related to uninsured patients as well as with representatives from some commercial payers to discuss collection and payment of claims to improve both areas.

Responsible Party: Carleetha Smith, CEO
Bryant Williams, CFO

Estimated Completion Date: Action was taken during fiscal 2019 with continued monitoring for best practices and policy updates by HRSA and will be fully implemented for the year ended December 31, 2020.



Luther Speight & Company
Certified Public Accountants and Consultants

COMMON GROUND HEALTH CLINIC, INC.

AGREED UPON PROCEDURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019



Luther Speight & Company
Certified Public Accountants and Consultants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Common Ground Health Clinic, Inc. (entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Auditors Comments: *The policy appears to appropriately address the required elements above.*

- 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.

Auditors Comments: *The policy appears to appropriately address the required elements above.*

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

Auditors Comments: *The policy appears to appropriately address the required elements above.*

- 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).

Auditors Comments: *The policy appears to appropriately address the required elements above.*

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

Auditors Comments: *The policy appears to appropriately address the required elements above.*

- 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.

Auditors Comments: *The policy appears to appropriately address the required elements above.*

- 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 (e.g., determining the reasonableness of fuel card purchases)

Auditors Comments: *The policy appears to appropriately address the required elements above.*

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

Auditors Comments: *The policy appears to appropriately address the required elements above.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics

- j) violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Auditors Comments: *Not Applicable, as the entity is a nonprofit*

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

Auditors Comments: *Not Applicable, as the entity is a nonprofit*

- l) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Auditors Comments: *The Clinic has not adopted a policy that addresses Information Technology, the policy includes the identification of critical data and frequency of backups, the storage of backups in a separate physical location isolated from the network, the periodic testing/verification that backups can be restored, the use of antivirus software on all systems, nor the identification of personnel, processes, and tools needed to recover operations after a critical event.*

Management Response: *The executive team is aware that in these times, a policy as well as consistent and thorough processes for handling Information Technology (IT) is very important particularly in an industry such as health care. Management is taking these comments and recommendation under serious consideration and will begin the necessary steps to create a more vigorous IT policy and process.*

Board or Finance Committee

Auditors Comments: We noted no findings in this section for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.

Bank Reconciliations

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

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

***Auditors Comments:** Of the Organization's four bank accounts, all of the accounts' bank reconciliations were properly prepared within 2 months of the statement closing date.*

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

***Auditors Comments:** Evidence of review by a member of management or a board member was noted on the reconciliations.*

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

***Auditors Comments:** We noted 7 reconciling items that were noted as being outstanding for more than 12 months. We noted the total of these reconciling items was \$751.36.*

***Management's Response:** Management is investigating this comment and plan to clear this concern in the coming weeks upon completion of the 2019 audit.*

Collections

***Auditors Comments:** We noted no findings in this section for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Auditors Comments: *We noted that the disbursement documentation includes evidence of segregation of duties.*

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

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

Auditors Comments: *List and management's representation was obtained.*

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

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

Auditors Comments: *We noted evidence of the monthly statement being reviewed and approved by someone other than the authorized card holder, in this case the CFO.*

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

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

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

***Auditors Comments:** Two transactions were noted as not having any supporting documentation and one transaction did not list individuals participating in meals.*

***Management's Response:** Supporting documentation is usually submitted after purchases, sometimes this information gets misplaced or lost in transition. Management will make a more conservative effort to make sure "all" supporting information is submitted timely and correctly. Also moving forward, adding names of participating individuals in meals will be the normal business practice at CGHC.*

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

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

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

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

***Auditors Comments:** No exceptions noted*

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

***Auditors Comments:** No exceptions noted.*

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

Auditors Comments: No exceptions noted.

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

Auditors Comments: We noted one of the reimbursements were not reviewed and approved in writing.

Management's Response: This is not the normal practice regarding reimbursements. This appears to have been an oversight. Management will look to create a process to avoid this type of matter going forward.

Contracts

Auditors Comments: We noted no findings in this section for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.

Payroll and Personnel

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

Auditors Comments: Listing of employees and management's representation were obtained.

16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #15 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

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

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

Auditors Comments: We noted that attendance and leave approval was formally documented.

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

Auditors Comments: We noted accrued leave is reflected in the entity's cumulative leave records.

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

Auditors Comments: We agreed the hours and pay rates to the employees' time records and personnel files without exceptions.

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

Auditors Comments: Management's representation was obtained.

Ethics

Auditors Comments: Section is not applicable, as the Organization is a non-profit.

Debt Service

Auditors Comments: Section is not applicable, as the Organization is a non-profit.

Other

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

Auditors Comments: No misappropriation of public funds or assets were noted.

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

Auditors Comments: *We noted the required notice is posted on the Organization's premises but not on their website.*

Management's Response: *Management will look to change this oversight and become compliant asap.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Luther Speight & Company CPAs
New Orleans, Louisiana
October 27, 2020