

**NEW ORLEANS HEALTH CORPORATION
NEW ORLEANS, LOUISIANA**

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**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1995**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or responsible, 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 7-24-96

**ASIF GAFUR MBA, MS
CERTIFIED PUBLIC ACCOUNTANT**

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NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

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MEMBER

American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Orleans Health Corporation

I have audited the accompanying balance sheet of New Orleans Health Corporation, hereafter NOHC, (a nonprofit corporation), as of June 30, 1995, and the related statements of support, revenues, and expenses and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of NOHC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NOHC as of June 30, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.


Asif Gafur
Certified Public Accountant

June 20, 1996

Receipt Acknowledged
Legislative Auditor

By 

NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

Balance Sheet
June 30, 1995

Assets

Current assets

Cash and cash equivalents	\$ 486,606
Accounts receivable	
Title XIX	44,755
Title XVIII	21,268
Women, infants and children (WIC)	48,901
HIV	29,770
Social Services	40,831
State of Louisiana	<u>89,055</u>
Total accounts receivable	<u>274,580</u>
Total current assets	761,186

Fixed assets

Automobiles	65,945
Equipment	255,641
Leasehold improvements	14,320
Less: accumulated depreciation	<u>(105,208)</u>
Fixed assets, net	230,698

Other Assets

Deposits (Note 2)	<u>202,940</u>
Total assets	<u>\$1,194,824</u>

Liabilities and Fund Balance

Current liabilities

Accounts payable and others (Note 7)	\$ 403,632
Accrued expenses:	
Payroll & vacation	184,704
Other	<u>6,102</u>
Total accrued expenses	<u>190,806</u>
Total current liabilities	594,438

Fund Balance

600,386

Contingencies and Commitments (Notes 5 & 6)

Total liabilities and fund balance	<u>\$1,194,824</u>
------------------------------------	--------------------

See accompanying notes to financial statements

NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

Statement of Support, Revenues and Expenses and Changes in Fund Balance
For the year ended June 30, 1995

<u>Support:</u>	
State of Louisiana	\$ 864,697
Title XIX	742,191
Title XVIII	159,022
Grants	700,097
Other funds	<u>964,614</u>
Total support	<u>3,430,621</u>
 <u>Revenues:</u>	
Patient fees	180,237
Other	<u>25,873</u>
Total revenues	<u>206,110</u>
Total support and revenues	<u>3,636,731</u>
 <u>Expenses:</u>	
Program services:	
Medical	1,336,015
Laboratory	110,726
X-ray	31,977
Other health	84,436
Environment	195,934
Dental	197,244
Pharmacy	2,887
Vision	122,395
Social services	358,289
HIV	240,963
WIC	318,065
Social work	<u>26,723</u>
Total program services	<u>3,025,654</u>
Support services:	
Administration	774,493
Facility	<u>67,876</u>
Total support services	<u>842,369</u>
Total expenses	<u>3,868,023</u>
(Deficiency) of support and revenues over expenses	(231,292)
Fund balance at June 30, 1994	472,031
Prior Period Adjustments (Note 8)	<u>359,647</u>
Fund balance at June 30, 1995	<u>\$ 600,386</u>

See accompanying notes to financial statements

NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

Statement of Cash Flows

For the year ended June 30, 1995

Cash flows from operating activities:

(Deficiency) of revenues over expenses \$ (231,292)

Adjustments to reconcile (deficiency) of support
and revenues over expenses to net cash applied
to operating activities:

Increase in accounts receivable	\$ (45,065)
Decrease in accounts payable and others	(242,936)
Increase in accrued expenses	26,706
Depreciation and others	<u>50,047</u>

Total adjustments (211,248)

Net cash applied to operating activities (442,540)

Cash flows from investing activities:

Purchase of fixed assets	(54,080)
Increase in deposits	<u>(202,940)</u>

Net cash used by investing activities (257,020)

Other - Prior period adjustments 359,647

Net decrease in cash and cash equivalents (339,913)

Cash and cash equivalents at beginning of year 826,519

Cash and cash equivalents at end of year \$ 486,606

See accompanying notes to financial statements

NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

Notes to Financial Statements

June 30, 1995

Note 1: Background and General Data

The corporation is a not-for-profit organization formed in 1970 for the purpose of promoting and developing health care services to those in need. Three clinics are currently being operated with approximately 100 employees. Health care services offered include medical, dental, vision, x-ray, laboratory, health education, and pharmacy.

During the year ended June 30, 1995, New Orleans Health Corporation, hereafter NOHC, also administered the following grants and programs.

a. Social Services Program

This program is funded by the Department of Social Services to improve the quality of life of eligible participants through counseling and transportation services.

b. HIV Program

This program is funded by the Department of Health and Hospitals to improve the quality and availability of health care and support services for individuals and families affected with HIV disease.

c. WIC Program

This program is funded by the Department of Health and Hospitals to provide special supplemental foods to qualified women, infants and children residing in the State of Louisiana.

Note 2: Summary of Significant Accounting Policies

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Restricted cash is \$216,675, which is included in the cash balance.

b. Inventory

Supplies are charged to expense as utilized.

c. Fixed Assets

Under contractual agreement with the various grantors, certain fixed assets purchased and utilized by the corporation revert to the various grantors upon termination of the contracts. Therefore, these fixed assets have not been recorded in the books of the corporation and no depreciation has been provided.

NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

Notes to Financial Statements

June 30, 1995

Other fixed assets are recorded at cost, depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets. The depreciation expense for the year was \$60,172.

d. Deposits

This balance includes advances on a medical mobile clinic and land for the purpose of building a clinic.

e. Income Taxes

The corporation is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and from State income taxes under Section 151 (5) of Title 47 of the Louisiana Revised Statutes of 1950.

f. Charity Care

The corporation provides care to patients who meet certain criteria without charge or at amounts less than its established rates.

g. Revenues

Revenue is reported at the net realizable amounts from patients. Governmental revenues are subject to legislative approval annually.

h. Vacation and Sick Leave

NOHC employees earn one day per month, up to 10 days per year vacation time and one day per month of sick leave. The accounts reflect accruals of vacation hours. Sick leave can only be taken in the event of sickness, consequently, it has not been accrued.

i. Other Funds

These are funds to support NOHC operations.

Note 3: Medical Malpractice Claims

The corporation is insured with respect to medical malpractice claims against the corporation.

Note 4: Concentration of Credit Risk

The corporation is located in New Orleans, Louisiana. The corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

Notes to Financial Statements

June 30, 1995

Note 5: Contingencies

The corporation has a yearly lease agreement of \$145,728 with the City of New Orleans for rental of the space occupied by Desire/Florida, Central City and Lower Ninth Ward clinics. The corporation pays the city based on its financial capabilities. During fiscal year 94/95 the corporation paid \$-0- to the City. The City has not demanded payment on the balance, and the corporation is not financially capable of paying the rent. Prior year leases also were not paid. Management believes that the city will not collect the rent. Rent expenses owed to the City of New Orleans has not been accrued.

Note 6: Commitments

Leases

The corporation has a monthly lease agreement of \$5,000 on its administrative office building. Also, the corporation has a monthly lease of \$3,000 on land in Eastern New Orleans. The rental expense for fiscal year ending June 30, 1995 was \$82,000.

The corporation also has a monthly lease on equipment. The rental expense for the year was \$2,031.

Note 7: Accounts Payable and Others

These include unearned advances from the Department of Health to build a clinic in Eastern New Orleans and for a medical mobile clinic.

Note 8: Prior Period Adjustments

This is an adjustment to reverse \$234,706 initially estimated by management as an amount owed to Medicaid for a prior period, and to record a reimbursement receipt from Medicaid of \$124,941 for that period.

Note 9: Operating Result of Programs

<u>Program</u>	<u>Support</u>	<u>Expenses/ Disbursements</u>	<u>Excess/ (Deficiency)</u>
HIV	\$189,473	\$269,698	\$(80,225)
WIC	217,641	319,065	(101,424)
SS	300,000	358,289	(58,289)

**NEW ORLEANS HEALTH CORPORATION
SCHEDULE OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 1995

<u>Pass-through Grantor/ Program Title</u>	<u>Federal CFDA # or Grantor #</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Health and Human Services		
Passed through Louisiana Department of Social Services		
Social Services Block Grant	93.667	\$358,289
Passed through City of New Orleans		
Ryan White Title 1	1004	<u>269,698</u>
Total		<u>\$627,987</u>

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Schedule 2

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
New Orleans Health Corporation

I have audited the financial statements of New Orleans Health Corporation, hereafter NOHC, (a nonprofit corporation), as of and for the year ended June 30, 1995 and have issued my report thereon dated June 20, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of NOHC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of financial statements of NOHC for the year ended June 30, 1995, I obtained an understanding of the internal control structure. With respect to the internal

control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable conditions were as follows:

Social Services Program

My examination of the program revealed the following:

1. The cost reports amounts were not reconciled to the general ledger amounts.
2. A comparison between the billed amounts and the budgeted amounts reflected overruns and underruns in certain budget categories.
3. Budget accounts were not matched with general ledger accounts.
4. Billed amounts for certain budgeted categories exceeded the substantiated amounts.

The above findings may have resulted from preparing the cost reports from source documentation, instead of the general ledger, from not matching the budget accounts to the general ledger accounts, and from not implementing review procedures to ensure the accuracy of the report.

NOHC should periodically compare the cost report amounts and the general ledger amounts and ensure that the final cost report reconciles to the Y-T-D general ledger. Additionally, the budget and cost report accounts should be matched with the general ledger accounts and reconciled.

Management of NOHC stated that since all information was not available to update the general ledger, cost reports were prepared from source documentation for timely submission. Presently, the cost reports are periodically reconciled to the general ledger.

HIV Program

I noted the following deficiencies in the operation of the HIV Program:

1. The cost report amounts were not reconciled to the general ledger amounts.
2. A comparison between the billed amounts and the budgeted amounts reflected overruns and underruns in certain budget categories.

3. Billed amounts for certain budgeted categories were not properly documented.
4. Budget accounts were not matched with general ledger accounts.

The above findings may have resulted from preparing the cost reports from source documentation, instead of the general ledger, from not matching the budget accounts to the general ledger accounts, and from not implementing review procedures to ensure accuracy of the report.

NOHC should periodically compare the cost report amounts and the general ledger amounts and ensure that the final cost report reconciles to the Y-T-D general ledger. Additionally, the budget and cost report accounts should be matched with the general ledger accounts and reconciled.

Management of NOHC stated that since all information was not available to update the general ledger, cost reports were prepared from source documentation for timely submission. Presently, the cost reports are periodically reconciled to the general ledger.

General Operations

My examination of the initial records of NOHC revealed the following:

1. Depreciation expenses not recorded.
2. Incorrect account balances.
3. Records not available in a timely manner.
4. Proper reconciliation procedures not implemented.

NOHC should take necessary measures to timely correct account balances, properly record depreciation expense, and provide records in a timely manner.

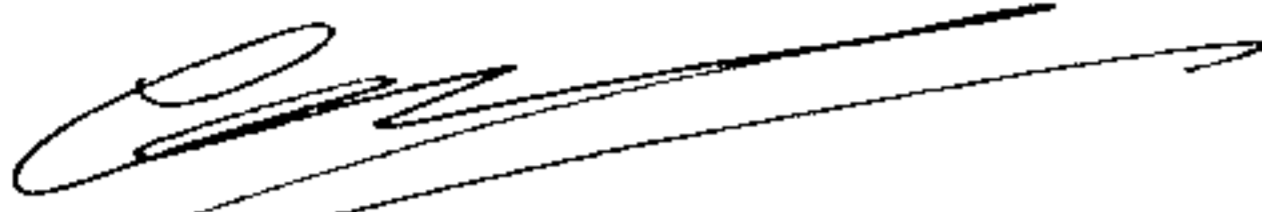
Management of NOHC stated that steps have been taken, including engaging a consultant, to resolve the above deficiencies.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

In my prior audit for the year ended June 30, 1994, I reported findings relating to Social Services Program and General Operations. Those matters have been resolved by the management, except those addressed earlier in this report.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.



Asif Gafur
Certified Public Accountant

June 20, 1996

ASIF GAFUR, M.B.A., M.S.

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MEMBER

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Schedule 3

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL STRUCTURE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
New Orleans Health Corporation

I have audited the financial statements of New Orleans Health Corporation, hereafter NOHC, (a nonprofit corporation), as of and for the year ended June 30, 1995, and have issued my report thereon dated June 20, 1996. I have also audited the organization's compliance with requirements applicable to major federal award programs and have issued my report thereon dated June 20, 1996.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Nonprofit Institutions". Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Corporation complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing my audit of NOHC for the year ended June 30, 1995, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements of NOHC and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. I have addressed internal control structure policies and procedures relevant to my audit of the financial statements in a separate report dated June 20, 1996.

The management of NOHC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that

transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

Internal Accounting Controls

- Cash
- Support, receivables and receipts
- Service fees, revenues and receivables
- Expenses for program and supporting services and accounts payable
- Payroll and related liabilities
- Fixed assets
- Fund balance

Internal Administrative Controls

Governmental Financial Assistance Programs

a. General Requirements

1. Political activity
2. Civil rights
3. Cash management
4. Allowable costs/cost principles

b. Specific Requirements

1. Types of services allowed or not allowed
2. Eligibility
3. Reporting
4. Claims for advances and reimbursements

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1995, NOHC expended 100% of its total federal awards under major federal award programs.

I performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of

the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements that are applicable to each of the corporation's major federal award programs, which are identified in the Schedule of Federal Awards. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the corporation's ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable conditions were as follows:

Social Services Program

My examination of the program revealed the following:

1. The cost report amounts were not reconciled to the general ledger amounts.
2. A comparison between the billed amounts and budgeted amounts reflected overruns and underruns in budget categories.
3. Billed amounts for certain budgeted categories exceeded the substantiated amounts.
4. Budget and cost report accounts were not matched or reconciled to the general ledger accounts.

The above deficiencies may have resulted from preparing the cost reports from source documentation, instead of the general ledger, from not matching or reconciling the budget and cost report accounts to the general ledger accounts, and from not implementing review procedures to ensure the accuracy of the report.

NOHC management should periodically compare the cost report and the general ledger amounts, and ensure that the final cost report reconciles to Y-T-D general ledger. Additionally, management should match and reconcile the budget and cost report accounts to the general ledger accounts.

Management of NOHC stated that since all information was not available to update the general ledger, cost reports were prepared from source documentation for timely submission. Presently, the cost reports are periodically reconciled to the general ledger.

HIV Program

I noted the following deficiencies in the operations of the HIV Program:

1. The cost report amounts were not reconciled to the general ledger.
2. A comparison between the billed amounts and the budgeted amounts reflected overruns and underruns in certain budget categories.
3. Billed amounts for certain budgeted categories were not properly documented.
4. Budget accounts were not matched with general ledger accounts.

The above deficiencies may have resulted from preparing the cost reports from source documents, instead of the general ledger, from not matching the budget accounts to the general ledger, and from not implementing review procedures.

NOHC should periodically compare the cost report amounts and the general ledger amounts and ensure the final cost report amounts reconcile to the Y-T-D general ledger amounts. Additionally, the budget and cost report accounts should be matched with the general ledger accounts and reconciled.

Management of NOHC stated that since all information was not available to update the general ledger, cost reports were prepared from source documentation for timely submission. Presently, the cost reports are periodically reconciled to the general ledger. Also, steps have been taken, including engaging a consultant, to resolve the above deficiencies.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe that none of the reportable conditions described above is a material weakness.

In my prior audit for the year ended June 30, 1994, I reported findings relating to the Social Services Program. Those matters have been resolved, except those addressed earlier in this report.

This report is intended for the information of the Board of Directors, management, Legislative

Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Asif Gafur', written in a cursive style with a long horizontal stroke extending to the right.

Asif Gafur
Certified Public Accountant

June 20, 1996

ASIF GAFUR, M.B.A., M.S.

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MEMBER

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Schedule 4

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
New Orleans Health Corporation

I have audited the financial statements of New Orleans Health Corporation, hereafter NOHC, (a nonprofit corporation), as of and for the year ended June 30, 1995, and have issued my report thereon dated June 20, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to NOHC is the responsibility of NOHC's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of NOHC's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failure to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of my tests of compliance disclosed the following instances of noncompliance that may be material to the financial statements but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in NOHC's financial statements.

General Operations

My examination of NOHC revealed the following:

a. Financial and Compliance Audit

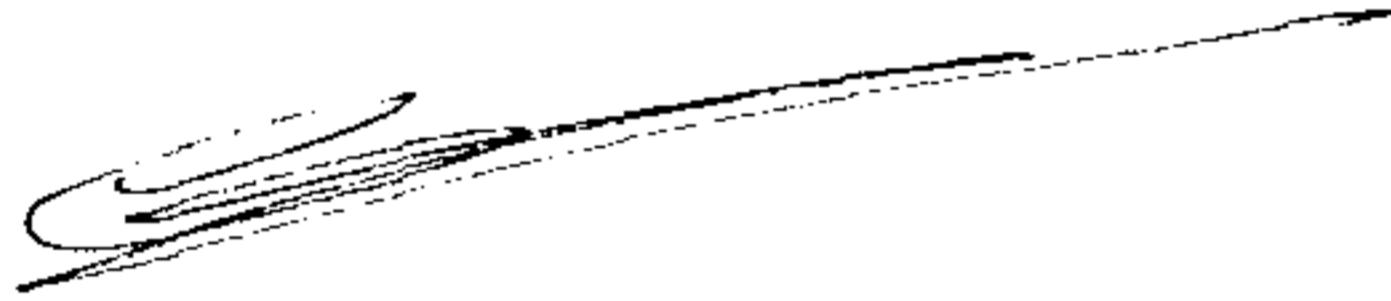
A financial and compliance audit was not completed within six months of the end of the fiscal year as required by the State Statutes.

Management of NOHC stated that during fiscal year 94/95 significant growth in activities occurred and NOHC was not able to timely update the accounting records and engage a CPA to perform an audit. Moreover, NOHC's accountant resigned and the financial officer took a leave of absence for health purposes.

I considered this an instance of noncompliance in forming my opinion on whether NOHC's June 30, 1995 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated June 20, 1996 on those financial statements.

In my prior audit for the year ended June 30, 1994, I reported findings relating to General Operations. Those matters have been resolved, except those earlier addressed in this report.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.



Asif Gafur
Certified Public Accountant

June 20, 1996

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Schedule 5

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE
TO MAJOR FEDERAL AWARD PROGRAMS**

Board of Directors
New Orleans Health Corporation

I have audited the financial statements of New Orleans Health Corporation, hereafter NOHC, (a nonprofit corporation), as of and for the year ended June 30, 1995, and have issued my report thereon dated June 20, 1996.

I have also audited NOHC's compliance with the requirements governing types of services allowed or not allowed, eligibility, reporting, claims for advances and reimbursements that are applicable to each of its major federal award programs, which are identified in the Schedule of Federal Awards, for the year ended June 30, 1995. The management of NOHC is responsible for the corporation's compliance with those requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the corporation's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures for Social Services Program and HIV Program disclosed that the corporation did not comply with the following requirements. In my opinion, compliance with the requirements are necessary to the programs.

Social Services Program

1. Claims for Advances and Reimbursements

Per my review of cost reimbursements, the following was noted:

- a. Amounts on cost report did not reconcile with the substantiated amounts.

<u>Description</u>	<u>Amounts Substantiated</u>	<u>Billed Amount Per Cost Report</u>	<u>Differences</u>
Personnel Salaries	\$ 222,598	\$ 222,587	\$ (11)
Fringe Benefits	31,085	29,418	(1,667)
Personnel Travel	2,350	1,821	(529)
Operating Services	34,894	33,945	(949)
Supplies	2,468	2,346	(122)
Other Expenses	<u>6,116</u>	<u>10,442</u>	<u>4,326</u>
Total	\$ <u>299,511</u>	\$ <u>300,559</u>	\$ <u>(1,048)</u>

I recommend that the amounts on cost report be reconciled periodically to the account balances in the general ledger.

Management of NOHC stated that since all information was not available to update the general ledger, cost reports were prepared from source documentation for timely submission. Presently, the cost reports are periodically reconciled to the general ledger.

- b. Reimbursed amounts for operating services exceeded the budgeted amount by \$891.00. The excess reimbursement of \$891.00 are questioned cost.

To avoid excess billing in any budgeted category, the cost report account balances should be reconciled to the general ledger amounts and matched with the budgeted amounts.

2. Reporting

Per my examination, I noted the following:

- a. Budget accounts not matched with the general ledger accounts.
- b. Financial and compliance audit was not completed within six months of the end of the fiscal year as required by State Statutes.

I recommend the following:

- a. Budget accounts be matched and reconciled with general ledger accounts.
- b. Financial and compliance audit be completed within six months of the end of the fiscal

year as required by State Statutes.

Management stated that steps have been taken to resolve the above deficiencies. Additionally, during fiscal year 94/95 significant growth in activities occurred and NOHC was not able to timely update the accounting records and engage a CPA to perform an audit. Moreover, NOHC's accountant resigned and the financial officer took a leave of absence for health purposes.

HIV Program

I. Claims for Advances and Reimbursements

Per my review of cost reimbursements the following was noted:

- a. Some of the billed expenses were not properly documented. Amounts not properly documented were as follows:

<u>Description</u>	<u>Amounts not Documented</u>
Personnel Salaries	\$ 3,957
Office Supplies	9,184
Dental Equipment	<u>5,505</u>
Total	<u>\$18,646</u>

I recommend that billed amounts on the cost report be reconciled periodically to the account balances in the general ledger and to the budgeted amounts. Additionally, the cost reports should be properly reviewed to ensure accuracy before submission to the funding agency.

Management of NOHC stated that since all information was not available to update the general ledger, cost reports were prepared from source documentation for timely submission. Presently, the cost reports are periodically reconciled to the general ledger.

- b. Reimbursed amounts for certain categories exceeded the budget provided by NOHC.

	<u>Excess</u>
Office Supplies	\$ 10,292
Medical Equipment	<u>14,482</u>
Total	<u>\$ 24,774</u>

I recommend that all billed costs be properly documented, reconciled to the general ledger, and matched with the budgeted amounts. Additionally, the budget should be amended to avoid overruns.

2. Reporting

Per my examination, I noted the following:

- a. Budget accounts were not matched to general ledger accounts.
- b. Financial and compliance audit was not completed within six months of the end of the fiscal year as required by State Statutes.

I will recommend the following:


- a. Budget accounts be matched and reconciled with general ledger accounts.
- b. Financial and compliance audit be completed within six months of the end of the fiscal year as required by State Statutes.

Management stated that steps have been taken to resolve the above deficiencies. Additionally, during the fiscal year 94/95, significant growth in activities occurred and NOHC was not able to timely update the accounting records and engage a CPA to perform an audit.

In my opinion, except for those instances of noncompliance with the requirements applicable to the Social Services Program and HIV Program referred to in the fourth paragraph of this report, NOHC complied, in all material respects, with the requirements governing types of services allowed or not allowed, eligibility, reporting, claims for advances and reimbursements that are applicable to each of its major federal award programs for the year ended June 30, 1995.

In my audit for the year ended June 30, 1995, I reported findings relating to Social Services Program. Those matters have been resolved, except those earlier addressed in this report.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.



Asif Gafur
Certified Public Accountant

June 20, 1996

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Schedule 6

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH
GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARD PROGRAMS**

Board of Directors
New Orleans Health Corporation

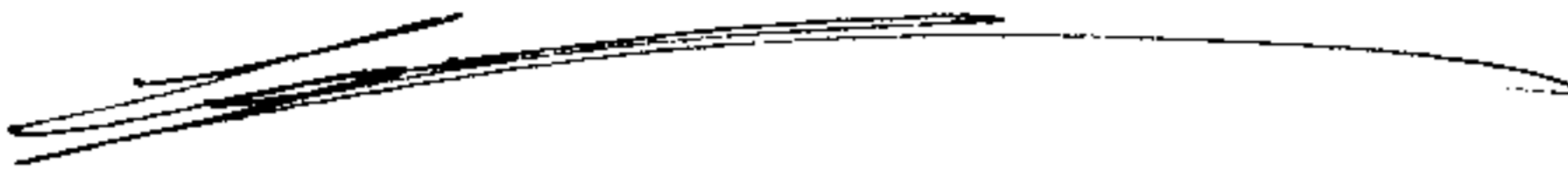
I have audited the financial statements of New Orleans Health Corporation, hereafter NOHC, (a nonprofit corporation), as of and for the year ended June 30, 1995, and have issued my report thereof dated June 20, 1996.

I have applied procedures to test NOHC's compliance with the following requirements applicable to its federal award programs, which are identified in the Schedule of Federal Award, for the year ended June 30, 1995. The general requirements tested were as follows: Political activity, civil rights, cash management, and allowable costs/cost principle.

My procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions." My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on NOHC's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of my procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that NOHC had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.



Asif Gafur
Certified Public Accountant

June 20, 1996