

KOLHEIM, ROGERS & TAYLOR

Certified Public Accountants

4719 Lakes, Suite 100

Houston, Texas 77048

**SINGLE AUDIT OPINION ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAMS**

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

We have audited the financial statements of Natchitoches Outpatient Medical Center, Inc., (NOMC), as of and for the year ended January 31, 1996 and have issued our report thereon dated October 30, 1996.

In connection with our audit of the financial statements of Natchitoches Outpatient Medical Center, Inc., and with our consideration of NOMC's internal control systems used to administer Federal programs, as required by Office of Management and Budget (OMB) Circular A-133, *Audit of Institutions of Higher Education and Other Nonprofit Organizations*, we selected certain transactions applicable to certain nonmajor Federal programs for the year ended January 31, 1996. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or not allowed, eligibility, and that are applicable to these transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on NOMC's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to items tested, the results of our procedures disclosed no material instance of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that NOMC had not complied, in all material respects, with these requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with these requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the audit committee, management, and the Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kolheim, Rogers & Taylor

Houston, Texas
October 30, 1996

NOBLEMAN, ROGER & TAYLOR
Certified Public Accountants
4119 Loken, Suite 188
Houston, Texas 77061

**INDEPENDENT AUDITORS' COMBINED REPORT ON INTERNAL CONTROL
STRUCTURE REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Natchitoches Outpatient Medical Center, Inc. (NOMC), for the year ended January 31, 1996, and have issued our report thereon dated October 30, 1996.

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

In planning and performing our audits for the year ended January 31, 1996, we considered NOMC's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on NOMC's financial statements and not to provide assurance on the internal control structure.

The management of Natchitoches Outpatient Medical Center, Inc. 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, that transactions are recorded 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, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projections 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.

Finding 6. Untimely Filing of Audit Report

The audit report is due in to the cognizant organization 120 days after year end and 180 days after year end to the Legislative Auditor.

Management's Response

During the year we had two Chief Financial Officer to resign. One of the officers resigned twice. This cause many delays in preparing our books. This also lead to us incurring certain cost that is questioned above. Now we have achieved stability in a new Chief Financial Officer and the books will be closed out timely in order that the audit can began on schedule.

NATCHDORCHES OUTPATIENT MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JANUARY 31, 1996

by property pledged as collateral. Since the organization is not in the business of financial lending and this money could have used for NDMC daily operations.

Management's Response:

This loan has since been repaid.

338 Grant -- CFDA #93.214
Questioned Cost -- \$14,179.61

Finding: 4. Consultation Services

An on-site primary care effectiveness review team visited NDMC on May 8-12, 1995. This team consisted of Wayne Moyer, CPA along with five other individuals. On July 27, 1995, Wayne Moyer was hired as a consultant. This is an obvious conflict of interest and we question this cost.

Management's Response:

Harold P. Walker-McFarrell, Project Officer, requested that Wayne Moyer be hired as a consultant for the organization.

338 Grant -- CFDA #93.214
Questioned Cost -- \$13,357.46

Finding 5. IRS Penalties

During the year NDMC paid the Internal Revenue Service the above penalties for filing payroll taxes and forms late. This amount is not allowed under OMB Circular A-122.

Management's Response:

During the period the Agency had serious cash flow problems. Due to restructuring and downsizing, all payroll taxes are now current.

NATCHITOCHEE OUTPATIENT MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JANUARY 31, 1995

100 Grant
CFDA #93.124

Finding 1. Late Filing of Financial Status Report

The grant agreement stipulates that the financial status report is to be filed within 60 days after the close of the accounting year.

Management's Response

These reports will be filed timely in the future. We are assigning different individuals to prepare these reports.

100 Grant -- CFDA #93.124
Questioned Cost -- \$3,943.40

Finding 2. Accounting Services

During July 1995, the accounting firm Johnson, Thomas & Cunningham was contracted to compile financial statements and coordinate preparation and filing of eight financial assistance reports. This contract was terminated on December 31, 1995. We find no evidence of any compilations nor was there evidence that the financial assistance reports were begun.

Check Date	Check #	Amount
12/3/95	12034	\$1,176.25
1/2/96	12128	1,119.70
1/25/96	12200	1,647.45
		\$3,943.40

Management's Response

Under OMB Circular A-122 accounting service is an allowable cost. Due to the resignation of our financial officer we had to contract the services.

100 Grant -- CFDA #93.124
Questioned Cost-0

Finding 3. Loans to Employees

On July 14, 1995, NIDMC extended a personal loan to Dr. Phyllis Lynnette Mason-Walk, obligor in the amount of \$38,500, at eight per cent interest, for twenty payments accrued

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
STATUS OF PRIOR AUDIT FINDINGS
JANUARY 31, 1998

During the course of our examination, we performed certain test and reviewed documents to determine if the findings and recommendations from the prior audit period had been resolved.

1. Financial Status Report not filed timely in accordance with OMB Circular A-110 and the grant agreement.

Status: This finding has not been cleared.

2. State grant awards not recorded on general ledger.

Status: Problem still exists.

3. Non Filing of Financial Status Report
Condition still exists.

4. Untimely Filing of Audit Reports

Condition still exists.

5. Questioned Cost concerning Plan Against Poverty (325,428)
Condition cleared.

6. Related Party Transaction (3452,25)

Condition cleared. The board member resigned because of unrelated reasons.

2. financial statements - all funds
3. start the audit process before year-end.

Management's Response

We hired a certified public accountant during the year as our Chief Financial Officer. Many delays came about because the individual resigned twice and did not fully implement all the improvements that were mandated. We have since promoted and trained from within the organization.

We considered these material instances of noncompliance in forming our opinion on whether NDMC's 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated October 30, 1996, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, NDMC complied, in all material respects, with the provisions referred to in the third paragraph of this report; and, with respect to items not tested, nothing came to our attention that caused us to believe that NDMC had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management and the Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kalman, Rogan & Anglin
Houston, Texas
October 30, 1996

1. There was no evidence of the preparation of monthly general ledgers.
2. There was no evidence of the preparation of monthly financial statements--
 - a. balance sheet - all funds
 - b. statement of revenues and expenditures - all funds.

Recommendations

1. General ledgers should be maintained and prepared monthly for all funds.
2. Monthly financial statements should be prepared and presented to management and the board monthly.

Management's Response

We have instituted a new data processing system.

II. Non Filing of Form 990 (Organization Exempt Income Taxes) (Prior Finding)

The organization is required by the Internal Revenue Service to file Form 990 within two and one half months after the end of the audit year.

Recommendation

The 990 should be filed directly from the records of the organization as soon as they are available.

Management's Response

We prefer to use audited financial statements in the preparation of Form 990.

III. Late Submission of Audit Report (Prior Finding)

The state statute of Louisiana requires the audit report to be submitted within six months after the end of the organization's year and the report is due within 120 days to the Department of Health and Human Services.

Recommendation

We recommend that the organization assure that the audit is prepared and submitted timely. One way to achieve this is to document that the following are prepared monthly and at year end.

1. general ledger - all funds

SUPPLEMENTAL SCHEDULES

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Financial Statement Categories

- cash and cash equivalent revenue
- receivables
- receipt governmental funds
- expenditures
- goods and services
- accounts payable
- payroll
- related liabilities, debt, and
- debt service expenditure grants and similar programs

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matter coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Natchitoches Outpatient Medical Center's ability to record, process, summarize, and report financial data in a manner consistent with the assertions of management in the financial statements.

1. LACK OF FIXED ASSET LEDGER (PRIOR FINDING)

We were not provided with a fixed assets ledger nor were entries made to fixed assets on the general ledger for purchases and/or retirements. The lack of this ledger can cause assets to be omitted from the financial statements.

Recommendation

We recommend that a fixed assets ledger be prepared and maintained on a monthly basis.

Management's Response

We concur with the audit recommendation.

2. LACK OF GENERAL LEDGER

NOMC did not have a general ledger from August 1, 1995 through January 31, 1996. This is an essential part of financial management of the Center.

Recommendation

We recommend that NOMC maintain a general ledger for each month. The preparation of this ledger is very important in the preparation of the basic financial statements.

KOLHEIN, ROGERS & TAYLOR

Certified Public Accountants

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Houston, Texas 77045

**SINGLE AUDIT OPINION ON COMPLIANCE WITH THE GENERAL
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARDS PROGRAMS**

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

We have audited the financial statements of Natchitoches Outpatient Medical Center, Inc. (NOMC), as of and for the year ended January 31, 1998 and have issued our report thereon dated October 30, 1998.

We have applied procedures to test Natchitoches Outpatient Medical Center's compliance with the following requirements applicable to each of its major federal awards programs, which are identified in the Schedule of Federal Awards, for the year ended January 31, 1998:

- political activity
- civil rights
- federal financial reports
- drug free workplace
- Davis-Bacon Act
- cash management
- allowable cost/allow principles
- administration requirements

Our procedures were limited to those set forth in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Education and Other Nonprofit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on NOMC's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow the general requirements that caused us to conclude that the misstatements resulting from these failures are material to the financial statements. The results of our tests of compliance disclosed the material instances of noncompliance that are described in the accompanying Schedule of Findings and Questioned Costs.

We considered these material instances of noncompliance in forming our opinion on whether NOMC's 1998 financial statements are presented fairly, in all material respects, in

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.

For the Year Ended January 31, 1988

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reimbursements, if any, and amounts claimed or used for matching that are applicable to each of its major federal awards programs for the year ended January 31, 1996.

This report is for the information of management, the audit committee and the Department of Health and Human Services. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Kathleen, Roger F. Taylor

Houston, Texas
October 30, 1996

defined above. However, we believe, if taken cumulatively, the conditions described above are material weaknesses.

This report is intended for the information of the audit committee, management, and the Department of Health and Human Services. However, this report is matter of public record and its distribution is not limited.

Houston, Texas
October 30, 1998

KOLHEIM, ROGERS & TAYLOR

Certified Public Accountants

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Houston, Texas 77045

**SINGLE AUDIT OPINION ON COMPLIANCE WITH LAWS AND REGULATIONS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS
ISSUED BY THE GAO**

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

We have audited the financial statements of Natchitoches Outpatient Medical Center, Inc. (NOMC), as of and for the year ended January 31, 1996, and have issued our report thereon dated October 31, 1996.

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

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, 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 our tests of compliance disclosed the following material instances of noncompliance:

I. Financial Management System (Prior Finding)

Federal Regulation (45 CFR, Part 74, Subpart 4, Part 92.28) requires the organization to have in place a financial management system that ensures budget management, maintains control over current operations, and provides timely, accurate, current, and complete disclosures of financial matters. The following deficiencies were noted in the following funds:

Manhasseton Outpatient Medical Center, Inc.
Statements of Financial Position
January 31, 1996 and 1995

ASSETS

	1996	1995
Cash and cash equivalents	\$ 382,463	\$ (183,588)
Grants receivable	-	26,715
Accounts receivable (net)	443,871	468,443
Land	118,800	118,800
Building	1,697,820	1,697,820
Furniture and equipment	971,420	588,774
Motor vehicles	88,088	88,088
Accumulated depreciation	(921,787)	(834,399)
Total Assets	3,131,684	3,851,882

LIABILITIES AND NET ASSETS

Accounts payable	131,888	7,824
Accrued expenses	-	2,999
Current portion of long-term debt	89,856	62,887
Sales tax payable	32,269	38,137
Deferred revenues	190,000	40,418
Long-term debt capital lease	512,576	358,838
Total Liabilities	942,590	710,003
Net Assets		
Unrestricted	990,845	1,125,853
Temporarily restricted	438,242	116,029
Total net assets	1,429,087	1,241,882
Total Net Assets and Liabilities	3,131,684	3,851,882

See accompanying notes

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

Although not needed for fair presentation, we were not able to present administrative and general cost in accordance with Statement of Financial Accounting Standard No. 117.

NOTE 12: TRUST ACCOUNT/HEALTH INSURANCE

Natchitoches has a self insured health insurance plan for which it maintains an account at Exchange Bank and Trust Company of Natchitoches. The contract is between Natchitoches Outpatient Medical Center, Inc. and Employee Benefit Trust of Shreveport, Louisiana. Natchitoches makes monthly deposits into this account on behalf of employees. When claims are filed with Employee Benefit, they procure a check on behalf of the claimant and send it to Natchitoches for signature by the Chief Executive Officer. Employee Benefit sometimes contracts with other insurance companies in order to minimize losses. It appears that this bank account is not reconciled on a monthly basis and that Natchitoches has no control in place to monitor whether payments of claims represent bona fide employees and/or legitimate claims. This trust account was not a part of the financial statements.

MEMORIALS-OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOMC at any time. However, NOMC's management feels that such loans will generally be renewed. The medical laboratory loan agreements are generally not cancellable.

Machinery is required by leases to carry all risk casualty insurance in an amount greater than or equal to replacement cost or its casualty value and all risk public liability in such amounts as NOMC carries on equipment that it owns.

NOTE 8: FIXED ASSETS

A summary of changes in fixed assets is as follows:

	Balance at 2/1/55	Additions	Retirements	Balance at 12/31/56
Land	110,000			110,000
Buildings	1,697,820			1,697,820
Furniture and equipment	380,774	90,652		471,426
Motor vehicles	<u>88,988</u>			<u>88,988</u>
	2,435,682	90,652	- 0 -	2,527,334

NOTE 9: TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets are available for the following purposes or periods:

HIV	Future periods	1,334.00
WIC	Future periods	(778.24)
330 Grant	Future periods	408,351.91
State Planning Grant	Future periods	25,618.83
Plan Against Poverty	Future periods	<u>3,687.20</u>
		438,246.00

NOTE 10: NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from grant restriction by including expenses satisfying the restricted purposes or by occurrence of other events specified by grant purpose restriction accomplished.

WIC		132,138.41
HIV		13,114.72
Case Management		70,309.76
Plan Against Poverty		13,800.00
Lease/State Grant		50.00
330 Grant		<u>1,871,892.09</u>
	Total	2,128,375.09

NOTE 11: FUNCTIONAL COSTS-LACK OF GENERAL & ADMINISTRATIVE COSTS CATEGORY

NATECHBIOTECH OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

NORAC entered into a capital lease agreement on January 12, 1994 with General Electric Capital Module Space for a Modular Building to be constructed at Delta Rural Health Services Facility in Tallulah, Louisiana for a noncancelable lease term of 84 months at a monthly rate of \$12,224.29 with total lease payments being \$1,026,848.03. An additional \$488.93 per month is being paid for sales taxes in accordance with the lease agreement which brings the total monthly payment to \$12,713.22.

Year	Principal	Interest	Total
1996	71,241.50	74,149.98	145,391.48
1997	83,248.13	63,447.33	146,695.46
1998	95,789.97	56,991.51	146,691.48
1999	110,226.54	36,464.94	146,691.48
2000	126,838.88	19,852.60	146,691.48
2001	20,437.37	2,928.37	23,365.74
	558,858.41	247,944.73	806,803.14

b. Capital Lease on Ultrasound Machine

NORAC entered into a capital lease agreement on August 1, 1991 with Cosometrics Medical Systems, Inc. for an ultrasound machine to be used in the Natelbiotech medical laboratory. The lease term is 60 months with a bargain purchase option of \$25,100.00 if paid off after 24 months with the monthly payment being \$399.00 per month. Monthly payments for the remaining 36 months are \$399.00 per month. The price of financed equipment totals \$39,900.00.

Year	Principal	Interest	Total
1996	4,691.23	892.77	4,794.00

c. Capital Lease on Chemistry Analyzer

NORAC entered into a capital lease agreement on February 17, 1994 with Andersen Funding Group Ltd., Inc. for an Abbott Diagnostic Spectrum Chemistry Analyzer and a Jmis Data Management System with a term of sixty months and total acquisition cost of \$90,652.00 to be paid as follows:

Year	Principal	Interest	Total
1996	17,514.88	8,164.44	25,679.32
1997	20,330.50	5,548.82	25,879.32
1998	22,998.77	2,280.55	25,879.32
1999	2,129.98	28.62	2,158.61
	63,974.13	16,222.44	79,796.57

4. Operating Leases

Natechbiotech has commitments under several operating lease agreements for office space and medical laboratory equipment. Generally the office space agreements are cancellable by

NATICK/STURGEON OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

Medicare and Medicaid Contractual Adjustments - The Clinic is qualified as a provider of hospital services under the federal and state government's Medicare and Medicaid Programs. Under current principles of reimbursements, the Clinic is reimbursed for the lesser of customary charges or "reasonable costs" of covered services rendered to program patients, as determined through cost reimbursement formulas. Final determination of reimbursement is subject to review by appropriate governmental authorities or their agents.

Patient accounts are recorded as standard charges for all patients. The differences between the standard charges of the Clinic and the reimbursement from the Programs are accounted for as "contractual allowances". These revenues, although restricted by the grant agreement are considered exchange transactions and are labeled as unrestricted.

Contributions and grants are recognized as revenue when they are received or unconditionally pledged. NDMC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2: EMPLOYEE PENSION PLAN

Natick/Sturgeon Outpatient Medical Center, Inc. does not have a qualified pension plan nor is it a member of any retirement system.

NOTE 3: NET PATIENTS RECEIVABLE

At the end of the year we were unable to verify the balance in net patient receivable. This ledger was not reconciled nor posted at year end.

NOTE 4: BAD DEBT ALLOWANCES

Bad debt allowances are shown net of bad debt recoveries. There were no bad debt recoveries for the year.

NOTE 5: THIRD PARTY REIMBURSEMENT

Revenues received under cost reimbursement agreements for the prior year are subject to credit and retroactive adjustments by third party payors. Provisions for estimated retroactive adjustments under these agreements have not been provided.

NOTE 6: LEASE COMMITMENTS

- a. Capital Lease on Modular Building

NATCHITOCHEE OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Natchitoches Outpatient Medical Center, Inc. (NOMC) is a non-profit agency organized in December 1977 to provide primary preventive medical care, dental services and prenatal care to Tallulah, Leesville, Logansport and Natchitoches, Louisiana. The Centers qualify as "Community Health Centers" under Section 330 of the Public Health Service Act as amended.

Reporting Entity - The governing body of NOMC is its Board of Directors. The Board appoints an Executive Director to administer the affairs of NOMC. NOMC is not considered a component of the city, county or any government body. The governing board independently oversees NOMC's operations.

The accompanying financial statements include all of the organization programs, activities and functions of NOMC for which the Board has oversight responsibility, except as described in the following paragraph. Such oversight responsibilities include designation of management, the ability to significantly influence operations, the accountability for fiscal matters, and the scope of public services.

Basis of Presentation - For the year ended January 31, 1996, NOMC adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, issued by the Financial Accounting Standards Board (FASB). As such, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. The financial statements for 1995 have been restated to be presented on a comparable basis.

Cash and Cash equivalents - For financial statement purposes, NOMC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalent.

Receivables - Current earnings are charged with a provision for doubtful accounts based on experience and any unusual circumstances which may affect the ability of patients to meet their obligations. Receivables are reflected in the balance sheet net of such allowances. Accounts deemed to be uncollectible are charged against this allowance.

Property, Plant and Equipment - Property, plant and equipment are carried at cost and include expenses for new facilities and equipment and those which substantially increase the useful life of existing property, plant and equipment. Depreciation of plant facilities and equipment is provided using the straight line method for both financial and Medicare/Medicaid reporting purposes. Useful lives assigned are generally as recommended in the American Hospital Association publication *Estimated Useful Lives of Depreciable Hospital Assets*.

Metropolitan Outpatient Medical Center, Inc.
 Statement of Functional Costs
 January 31, 1998

	SIC	HCY	Plan Against Energy	Case Management	300 Grant	Lease Grant	Total
Personnel and fringe	\$185,603	\$29,804	\$ -	\$ 47,887	\$2,216,788	\$ -	\$ 2,379,982
Travel	1,045	1,316	-	1,584	120,392	-	124,737
Supplies	6,429	-	-	8,836	456,089	-	471,345
Contractual	-	1,000	23,808	5,421	677,324	-	708,545
Other	9,361	1,336	-	6,742	500,560	50	518,589
Depreciation	-	-	-	-	87,388	-	87,388
Bad debt	-	-	-	-	233,233	-	233,233
Total	\$ 192,339	\$33,115	\$23,808	\$ 60,118	\$4,290,278	\$ 50	\$ 4,348,687

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NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.

ANNUAL AUDIT REPORT

FOR THE YEAR ENDED

JANUARY 31, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor, or authorized, 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 APR 02 1997

KOLHEIM, ROGERS & TAYLOR
CERTIFIED PUBLIC ACCOUNTANTS

Machiroshes Chapman Medical Center, Inc.
 Statement of Activities
 Year Ended January 31, 1998

	1998	1997
Changes in unrestricted net assets:		
Revenues, gains, and other support:		
Fees	\$ 2,479,028	\$ 2,182,447
Other	17,242	2,324
Total unrestricted revenues and gains	<u>2,496,270</u>	<u>2,184,771</u>
Net assets released from restrictions:		
Satisfactions of program restrictions	2,126,376	2,297,252
Satisfaction of equipment acquisition restrictions	-	48,928
Expirations of time restrictions	-	124,645
Total net assets released from restrictions	<u>2,126,376</u>	<u>2,470,825</u>
Total unrestricted revenues, gains, and other support	4,622,646	4,827,699
Expenses and losses:		
Federal 339 Grant	4,292,274	1,876,349
EBV Program	33,115	92,864
WIC Program	122,139	137,767
Case Management Program	20,118	58,391
Plan Against Poverty Program	25,000	108,313
State Planning Grant	-	-
State Grant	50	-
Management and general	-	2,459,179
Total expenses	<u>4,540,687</u>	<u>4,730,423</u>
Increase in unrestricted net assets:	<u>81,999</u>	<u>(128,828)</u>
Changes in temporarily restricted net assets:		
Grants income	2,231,599	2,437,808
Fees	-	-
Interest and other	-	-
Net assets released from restrictions	<u>(2,138,379)</u>	<u>(2,462,829)</u>
Decreased in temporarily restricted net assets	103,278	(7,000)
Net assets at beginning of year	1,241,862	1,379,790
NET ASSETS AT END OF YEAR	<u>\$ 1,418,641</u>	<u>\$ 1,241,862</u>

See accompanying notes

Management's Response

A new computer system has been purchased to assist with report generation. General ledgers will be prepared on a monthly basis.

3. BANK RECONCILIATIONS NOT PREPARED MONTHLY

Bank reconciliations for some cash accounts were not prepared for some cash accounts on a monthly basis. Delays in bank reconciliations can cause errors to go undetected.

Recommendation

We recommend that bank reconciliations be prepared monthly for all bank accounts.

Management's Response

Bank reconciliations were supposed to have been being prepared by the former Finance Director. This process was not being monitored by the finance committee so when the Finance Director resigned, it was discovered that bank statements had not been prepared.

4. LACK OF DETAILED ACCOUNTS RECEIVABLE LEDGER

The Agency did not maintain a detailed patient account receivable ledger during the year.

Recommendation

We recommend the preparation of a detailed ledger and reconcile this amount to the general ledger.

Management's Response

We have since entered into an agreement for the preparation of these ledgers.

5. LACK OF BASIC FINANCIAL STATEMENTS (Prior Finding)

During our audit we noticed that management was not receiving basic financial statements.

Recommendation

It is common practice for management to receive at least an "income statement" on a monthly basis. NDMC should review complete financial statements on a monthly basis. These statements should include a balance sheet, statement of revenues, expenses and changes in fund balance and preferably a statement of cash flows.

Management's Response

We concur with the audit recommendation.

6. OUTSTANDING CHECKS CARRIED INDEFINITELY

During our audit we found that some checks were carried as outstanding for over one year.

KOLHEIM, ROGERS & TAYLOR

Certified Public Accountants

4715 Loken, Suite 180

Houston, Texas 77045

**INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF THE
FINANCIAL STATEMENTS**

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

We have audited the statement of financial position of Hatchitoches Outpatient Medical Center, Inc. (HOMC), as of and for the period ended January 31, 1996, the related statement of activities, the statement of cash flows and the statement of functional costs as listed. These financial statements are the responsibility of HOMC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to the condition of the records we were unable to confirm the amount of account receivable at year end and we were not able to other wise satisfy ourselves as to account balances at that date.

As mentioned in Note 11, the financial statements do not include the Trust Account/Health Insurance Fund.

In our opinion, except for the effects of any adjustments that might have resulted had we been able to confirm accounts receivable as of January 31, 1996 or to otherwise satisfy ourselves as to account balances at that date, and except for the omission of the Trust Account/Health Insurance Fund, the financial statements referred to above, present fairly the financial position of Hatchitoches Outpatient Medical Center, Inc. at January 31, 1996, and the results of its operations for the period then ended, in conformity with generally accepted accounting principles.

Kolheim, Rogers & Taylor

Houston, Texas

October 30, 1996

conformity with generally accepted accounting principles, and this report does not affect our report dated October 30, 1996, on these financial statements.

Except as described above, the results of our procedures to determine compliance indicate that, with respect to the items named, NCHMC complies, in all material respects, with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that NCHMC had not complied, in all material respects, with those requirements. However, the results of our procedures also disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the audit committee, management and the Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Houston, Texas
October 30, 1996

NATCHITOCHEUS OUTPATIENT MEDICAL CENTER, INC.

For the Year Ended January 31, 1986

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Management's Response:

We are now implementing a new data processing system that will prepare most reports or provide data for the specialized reports.

9. RESIGNATION OF KEY BOARD MEMBERS

During the year several key board members resigned. This caused some instability on the board.

Recommendation:

We recommend that the Agency implement a systematic method for replacement of board members.

Management's Response:

We will bring this before the Board of Directors. This is a recommendation for them to implement.

10. RESIGNATION OF KEY ADMINISTRATIVE PERSONNEL

During the year the chief financial officer, deputy director, and top administrator resigned which left the Agency in chaos.

Recommendation:

We recommend that the Agency replace key administrators as soon as possible and cross-train staff so that operations are not completely halted during absent personnel.

Management's Response:

We are cross-training and promoting from within.

11. HIRING WITHOUT CHECKING CREDENTIALS

During the year an individual was hired in a key position on word of mouth without checking the person's credentials. After hiring the individual the Agency found that the person was not qualified for the position and had misrepresented them about their credentials.

Recommendation:

We recommend that the Agency do a background check on all employees prior to hiring.

Management's Response:

We check all credentials prior to hiring.

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 program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our 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

Recommendation

We recommend that the Agency replace key administrators as soon as possible and cross-train staff so that operations are not completely halted during absent personnel.

Management's Response

We are cross-training and promoting from within.

II. HIRING WITHOUT CHECKING CREDENTIALS

During the year an individual was hired in a key position on word of mouth without checking the persons credentials. After hiring the individual the Agency found that the person was not qualified for the position and had misinformed them about their credentials.

Recommendation

We recommend that the Agency do a background check on all employees prior to hiring.

Management's Response

We check all credentials prior to hiring.

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 or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our 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, we believe, if taken cumulatively the conditions described above are material weaknesses.

This report is intended for the information of the audit committee, management, and the Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kathleen, Rogers & Taylor

Houston, Texas
October 30, 1996

Recommendation

We recommend after ninety days, all checks be voided and credited to the proper cash account and that a notation/imprint be placed on the front of all checks so such.

Management's Response

We concur with the audit recommendation. These amounts will be investigated.

7. LACK OF PERSONNEL

During the close of the audit, the Agency was without a Chief Financial Officer, Internal Auditor and Risk Manager.

Recommendation

The Agency should staff key personnel.

Management's Response

We are now in the process of hiring a new Chief Financial Officer.

8. LATE FINANCIAL REPORT

The Agency is required to file the Financial Status Report within ninety days after the close of the audit and the audit report must be filed at least 180 days after year end with the Legislative Auditors.

Recommendation

We recommend that all reports be filed on time and in accordance with the statute.

Management's Response

We are now implementing a new data processing system that will prepare most reports or provide data for the specialized reports.

9. RESIGNATION OF KEY BOARD MEMBERS

During the year several key board members resigned. This caused some instability on the board.

Recommendation

We recommend that the Agency implement a systematic method for replacement of board members.

Management's Response

We will bring this before the Board of Directors. This is a recommendation for them to implement.

10. RESIGNATION OF KEY ADMINISTRATIVE PERSONNEL

During the year the chief financial officer, deputy director, and top administrator resigned which left the Agency in chaos.

Natchitoches Outpatient Medical Center, Inc.
Statement of Cash Flows
Year Ended January 31, 1996

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:		
Cash received from service recipients	\$ 1,622,028	\$ 2,058,879
Cash received from grants	1,877,962	-
Cash collected on contributions receivable	-	2,468,082
Interest and dividends received	17,245	1,738
Interest paid	(83,825)	(48,091)
Cash paid to employees and suppliers	(3,281,219)	(4,892,461)
Net cash used by operating activities	<u>452,181</u>	<u>(468,235)</u>
Cash flows from investing activities:		
Purchase of equipment	-	(40,928)
Net cash used by investing activities	-	(40,928)
Other financing activities:		
Unused grant	150,000	-
Payments on long-term debt	(136,221)	-
Net cash used by financing activities	<u>13,779</u>	<u>-</u>
Net decrease in cash and cash equivalents	466,850	(449,163)
Cash at beginning of year	<u>(183,588)</u>	<u>285,575</u>
Cash at end of year	\$ 282,462	\$ (183,588)
Reconciliation of change in net cash to net cash used by operating activities:		
Change in net assets	167,179	(131,838)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	57,338	59,414
(Increase) Decrease in receivable	40,580	(83,294)
(Increase) in prepaid	-	(25,777)
Increase (Decrease) in accounts payable	<u>228,164</u>	<u>(251,389)</u>
Net cash used by operating activities	<u>\$ 452,181</u>	<u>\$ (468,235)</u>

KOLHEIM, ROGERS & TAYLOR

Certified Public Accountants

4709 Luttrell, Suite 100

Houston, Texas 77045

**SINGLE AUDIT OPINION ON SCHEDULE OF
FEDERAL AWARDS**

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

We have audited the financial statements of Natchitoches Outpatient Medical Center, Inc., for the year ended January 31, 1986, and have issued our report thereon dated October 30, 1986. These financial statements are the responsibility of NOMIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States and the Office of Management and Budget Circular A-113. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of NOMIC taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Katherine Rogers Taylor

Houston, Texas

October 30, 1986

Recommendation

We recommend the preparation of a detailed ledger and reconcile this amount to the general ledger.

Management's Response:

We have since entered into an agreement for the preparation of these ledgers.

5. LACK OF BASIC FINANCIAL STATEMENTS (Prior Finding)

During our audit we noticed that management was not receiving basic financial statements.

Recommendation

It is common practice for management to receive at least an "income statement" on a monthly basis. NMAC should review complete financial statements on a monthly basis. These statements should include a balance sheet, statement of revenues, expenses and changes in fund balance and preferably a statement of cash flows.

Management's Response

We concur with the audit recommendation.

6. OUTSTANDING CHECKS CARRIED INDEFINITELY

During our audit we found that some checks were carried as outstanding for over one year.

Recommendation

We recommend after sixty days, all checks be voided and credited to the proper cash account and that a notations/imprint be placed on the front of all checks as such.

Management's Response

We concur with the audit recommendation. These amounts will be investigated.

7. LACK OF PERSONNEL

During the close of the audit, the Agency was without a Chief Financial Officer, Internal Auditor and Risk Manager.

Recommendation

The Agency should staff key personnel.

Management's Response

We are now in the process of hiring a new Chief Financial Officer.

8. LATE FINANCIAL REPORT

The Agency is required to file the Financial Status Report within sixty days after the close of the audit and the audit report must be filed at least 180 days after year-end with the Legislative Auditors.

Recommendation

We recommend that all reports be filed on time and in accordance with the statute.

Piedmontecor Outpatient Medical Center, Inc.
 Schedule of Other Costs
 January 31, 1996

	SIC	HEE	Plan Applied Priority	Case Manage Mini	300 Grant	Lease Grant	1994 Total
	\$	\$	\$	\$	\$	\$	\$
Int/Transportation	-	-	-	-	2,004	-	2,004
Legal Services	-	-	-	-	4,082	-	4,082
Audit Services	-	-	-	-	18,000	-	18,000
Publication, Print & Sub	-	76	-	-	9,259	-	9,335
Equipment Repairs	-	-	-	-	2,329	-	2,329
Telephone	2,546	-	-	2,342	87,449	-	92,337
Postage	1,484	-	-	-	8,816	-	9,460
Draw & Subscription	115	-	-	-	2,543	-	2,658
Interest Expense	-	-	-	-	85,825	-	85,825
Normal Space	2,500	-	-	-	48,255	-	50,755
Utilities	2,456	-	-	3,413	97,400	-	102,869
Insurance/Facility	-	-	-	-	35,244	-	35,244
Maintenance & Repairs	-	-	-	587	3,259	-	3,846
Postoffice	-	-	-	-	15,257	-	15,257
Security	-	-	-	-	7,159	-	7,159
Bank Charges	-	-	-	-	558	58	616
Property Taxes	-	-	-	-	7,798	-	7,798
Recruitment	-	-	-	-	4,191	-	4,191
Medical Malpractice	-	-	-	-	22,808	-	22,808
Equipment Lease	-	1,908	-	-	34,876	-	36,784
Waste Management	-	-	-	-	7,171	-	7,171
Janitorial	-	-	-	-	18,280	-	18,280
Billing Service	-	-	-	-	27,814	-	27,814
Total	<u>9,051</u>	<u>1,576</u>	<u>-</u>	<u>4,342</u>	<u>583,660</u>	<u>58</u>	<u>518,189</u>

See accompanying notes

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NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
SCHEDULE OF FEDERAL AWARDS
For the Year Ended January 31, 1996

Federal Grant/Pass through Grant/ Program Title	Grant Period	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Public Health Service	A 2/1/95 - 1/31/96	93.224	CSH60053-11-0	\$ 1,877,043
Pass-Through State of Louisiana				
HIV	A	*		33,115
Public Health - Leesville	A	93.224		90
Plan Against Poverty	A	93.224		23,000
Case Management	A	*		70,118
Subtotal				<u>156,275</u>
DEPARTMENT OF AGRICULTURE				
Pass Through State of Louisiana				
Women, Infants & Children (WIC)	A	10.557		122,129
Total				<u>\$ 2,125,857</u>

A Major program

B Nonmajor program

* Catalog number not provided with agreement

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
For the Year Ended January 31, 1996

1. Scope of Audit Pursuant to OMB Circular A-133

All Federal grant operations of Natchitoches Outpatient Medical Center, Inc. are included in the scope of the Circular A-133 audit. The U. S. Department of Health and Human Services has been designated as NDMC's cognizant agency for the Single Audit. NDMC received only one direct federal grant and five grants through the State of Louisiana. They are included in the scope of the Circular A-133 audit. It is the practice of NDMC and the cognizant Agency to use the State grant as part of the matching requirement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Federal Awards includes all grants to NDMC which had activity during the year ended January 31, 1996. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when NDMC has met the qualifications for the respective grants. The Financial Status Report was prepared on the modified accrual basis.

Accrual Reimbursement

Various reimbursement procedures are used for federal/state awards received by NDMC. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the fiscal year. Accrued balances at year end represent an excess of reimbursable expenditures over cash receipts to date. Generally, accrued balances caused by differences in the timing of cash receipts and expenditures will be utilized in the remaining grant period.

3. Findings of Noncompliance

Material instances of noncompliance identified in connection with the 1996 Single Audit are disclosed in the Schedule of Findings and Questioned Costs.

4. WIC Program

The amount shown on the schedule of revenues represents the cumulative amount received for a twelve month period. Included in the amount are grant moneys received under at least two award periods. Due to time frame, NDMC was unable to provide amounts for the period as the common practice in preparing the Schedule of Financial Awards.

In addition the amounts presented for the twelve month period may differ from those of the funding source because of timing, date of receipt, or bookkeeping.

NATCHITOCHESS-OUTPATIENT MEDICAL CENTER, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
For the Year Ended January 31, 1996

Billings for WIC are prepared by magnetic tape, therefore, the amount received is computed by the funding source.

KOLHEIM, RIGERS & TAYLOR

Certified Public Accountants

4708 Luttrell, Suite 100

Houston, Texas 77044

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE
REQUIRED BY OMB CIRCULAR A-133**

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

We have audited the financial statements of Natchitoches Outpatient Medical Center, Inc. (NOMC), as of and for the year ended January 31, 1996, and have issued our report thereon dated October 30, 1996. We have also audited NOMC's compliance with requirements applicable to major federal award programs and have issued our reports thereon dated October 30, 1996.

We conducted our audits 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 Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and about whether NOMC complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audits for the year ended January 31, 1996, we considered NOMC's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on NOMC's financial statements 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 our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated October 30, 1996.

The management of NOMC 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, 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 awards 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, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

Financial Statement Captions

- | | |
|---|-----------------------|
| • cash and cash equivalents revenue | • receivables |
| • receipt governmental funds | • expenditures |
| • goods and services | • accounts payable |
| • payroll | • related liabilities |
| • debt and debt service expenditure grants and similar programs | |

General Requirements

political activity	reporting
civil rights	cash management
federal financial report	allowable cost/charge principles
drug free workplace	administration requirements

Specific Requirements

- | | |
|---------------------|--|
| • types of services | • reporting |
| • eligibility | • special requirements |
| • matching | • claims for advances and reimbursements |
| • level of effort | • amounts claimed or used for matching |

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

During the year ended January 31, 1996, NCOHC expended 100 percent of its total federal awards under major programs.

We performed test of controls, as required by OMB Circular A-119, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of NCOHC's major programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less

in scope that would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

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

1. LACK OF FIXED ASSET LEDGER (PRIOR FINDING)

We were not provided with a fixed assets ledger nor were entries made to fixed assets on the general ledger for purchases and/or retirements. The lack of this ledger can cause assets to be omitted from the financial statements.

Recommendation

We recommend that a fixed assets ledger be prepared and maintained on a monthly basis.

Management's Response

We concur with the audit recommendation.

2. LACK OF GENERAL LEDGER

NDMC did not have a general ledger from August 1, 1995 through January 31, 1996. This is an essential part of financial management of the Center.

Recommendation

We recommend that NDMC maintain a general ledger for each month. The preparation of this ledger is very important in the preparation of the basic financial statements.

Management's Response

A new computer system has been purchased to assist with report generation. General ledgers will be prepared on a monthly basis.

3. BANK RECONCILIATIONS NOT PREPARED MONTHLY

Bank reconciliations for some cash accounts were not prepared for some cash accounts on a monthly basis. Delays in bank reconciliations can cause errors to go undetected.

Recommendation

We recommend that bank reconciliations be prepared monthly for all bank accounts.

Management's Response

Bank reconciliations were supposed to have been being prepared by the former Finance Director. This process was not being monitored by the finance committee so when the Finance Director resigned, it was discovered that bank statements had not been prepared.

4. LACK OF DETAIL ACCOUNTS RECEIVABLE LEDGER

The Agency did not maintain a detailed patient accounts receivable ledger during the year.