

In planning and performing our audit of the financial statements of Southwest Louisiana Primary Health Care Center, Inc. for the fiscal year ended June 30, 1986, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Of the management suggestions made for the year ended June 30, 1986, those have been implemented: (a) the board of directors held monthly meetings, (b) payroll was accurately calculated, (c) sliding fees were correctly calculated, (d) patient files were documented to support sliding fee discounts, (e) cash collected for dental charges was appropriately recorded and supported, (f) state withholding remittances were prepared correctly and (g) procedures have been implemented that help to ensure general ledger entries are recorded correctly.

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 the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

These reportable conditions include:

1. PATIENT AUTHORIZATIONS

Findings: We noted five instances where patients did not sign authorization for medical treatment.

Recommendation: We recommend that Southwest Louisiana Primary Health Care follow their established procedures to ensure all patients sign the appropriate consent forms for medical treatment.

2. SLIDING FEE RATES

Findings: We noted that the Southwest Louisiana Primary Health Care's Dental Department is not discounting rates to the applicable sliding fee schedules as stated within the clinic's policy. The fees are discounted to current Medicaid rates.

recipients of obligated grant funds, the total amount of funds available in the grant account may exceed the Federal share of the approved budget. These funds are not automatically available to the Clinic. The P&M awarding office exercises sole discretion as to the use of these funds.

GRANTOR AGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed expenses, including amounts already collected, may constitute a liability. The amount, if any, of expenses which may be disallowed cannot be determined at this time although the Clinic expects such amounts, if any, to be insignificant.

NOTE 9 - THIRD PARTY REIMBURSEMENT

In accordance with the Omnibus Budget Reconciliation Act of 1989 (OBRA 89) and 1990 (OBRA 90), reimbursement policies for reasonable cost reimbursement were established for a certain set of Federally-qualified Health Centers (FQHC) such as the Clinic, rather than reimbursement based upon allowable charges for each service provided.

Settlement costs reports completed at year end are subject to audit and adjustment by the servicing agencies, in particular, Blue Cross of Mississippi and Aetna Insurance Company.

NOTE 10 - IN-KIND DRUGS

The Clinic receives pharmaceutical drugs at no charge for use in operations. The value of these drugs has not been determined and recorded in these financial statements.

NOTE 11 - STATE RETIREMENT

Effective February of 1984, the Clinic began participation in the Louisiana State Retirement System in lieu of the Federal social security system. The employees contribute 7.54 of earnings and the Clinic contributes 12.13 of all employee earnings. The amount expensed during the year ended June 30, 1994, as employee benefits is \$71,615.

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**SOUTHWEST LOUISIANA PRIMARY
HEALTH CARE CENTER, INC.**
Opelousas, Louisiana

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORTS**

For the year ended June 30, 1996

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the elected, or appointed, entity and other appropriate public officials. This 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: **DEC 18 1996**

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opaloussa, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

We have audited the balance sheet of Southwest Louisiana Primary Health Care Center, Inc. as of June 30, 1996, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of Southwest Louisiana Primary Health Care Center, Inc.'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, 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 Organizations". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Primary Health Care Center, Inc. at June 30, 1996, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 1996, on our consideration of Southeast Louisiana Primary Health Care Center, Inc.'s internal control structure and a report dated September 17, 1996, on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the 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.

Douglas B. Smith

Certified Public Accountants
September 17, 1996

SENIOR CARE COMMUNITY HEALTH CARE CENTER, INC.
 (Incorporated in Indiana)

BALANCE SHEET
 June 30, 1998

	<u>Current</u>
	<u>Assets</u>
ASSETS	
Current Assets	
Cash	\$ 89,007
Receivables	9,131
Prepaid Insurance	1,833
Accounts receivable - (net of estimated uncollectible)	75,776
Third party settlement receivable	75,138
Total current assets	<u>251,885</u>
Property and Equipment	
Land, buildings & equipment - (net of accumulated depreciation)	21,268
Total property and equipment	<u>21,268</u>
Other Assets	
Deposits	6,376
Organized for assets - (net of accumulated amortization)	2,400
Total other assets	<u>8,776</u>
Total Assets	2,702,620
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 26,850
Accounts receivable	57,867
Payroll withholding payable	5,776
Retirement payable	80,100
Total current liabilities	<u>170,593</u>
Net Assets	
Unrestricted	170,593
Total net assets	<u>170,593</u>
Total liabilities and net assets	2,702,620

The accompanying notes are an integral part of this statement.

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED, 1976
OPERATIONS, LIMITED

STATEMENT OF ASSETS
For the Year Ended June 30, 1976

	<u>ASSETS</u>		<u>Total</u> <u>Net Assets</u>
	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Unrestricted</u> <u>Net Assets</u>	
ASSETS AND LIABILITIES			
Operating Income			
Various service revenues - Cash			
and contractual adjustments		\$ 500,000	\$ 500,000
Third party cover settlements		240,000	240,000
Investment		5,110	5,110
Interest Income		7,004	7,004
Net Operating Support			
World Health Initiative grant		\$ 100,000	100,000
Physician Supplement grant	50,000		50,000
Total support and revenue	<u>\$ 100,000</u>	<u>\$ 1,292,114</u>	<u>\$ 1,392,114</u>
EXPENSES			
Salaries	50,000	\$ 600,750	650,750
Patients care and related		57,000	57,000
Payroll taxes		20,000	20,000
Employee benefits		27,000	27,000
Medical drugs and supplies		60,770	60,770
Office expenses		20,000	20,000
Travel		11,700	11,700
Utilities		50,270	50,270
Insurance		67,250	67,250
Telephone		10,000	10,000
Repairs and maintenance		17,000	17,000
Bad debt		42,000	42,000
Depreciation and amortization		9,000	9,000
Supplies		20,000	20,000
Professional Services		17,000	17,000
Interest		41,270	41,270
Advertising		7,000	7,000
Contracts		7,000	7,000
Other expenses		25,000	25,000
Total expenses	<u>50,000</u>	<u>\$ 1,117,000</u>	<u>\$ 1,167,000</u>
NET INCREASE IN			
UNRESTRICTED NET ASSETS		175,114	175,114
NET ASSETS - beginning of period		600,000	600,000
NET ASSETS - end of period		<u>\$ 775,114</u>	<u>\$ 775,114</u>

The accompanying notes are an integral part of this statement.

WESTBANK NATIONAL SENIORS HEALTH CARE CENTER, INC.
 Springdale, Louisiana

STATEMENT OF CASH FLOWS
 for the Year Ended June 30, 1990

	Success operations Net Income
Cash Flows from Operating Activities:	
Decrease in net assets	\$ (10,270)
Adjustments to reconcile excess support and revenue to net cash provided by operations:	
Non-cash items included in excess support and revenue:	
depreciation and amortization	28,246
net debt:	9,700
Changes in working capital:	
current assets:	
Increase in accounts receivable	21,274
Increase in inventories	(7,820)
Increase in prepaid	1,580
Current fixed assets	
Increase in accounts payable	(77,480)
Increase in accrued expenses	2,800
Increase in percent of financing payable	(4,877)
Increase in retirement payable	(2,148)
net cash flow from operating activities	18,105
Cash Flows from Investing Activities:	
Purchase of property and equipment	(4,800)
Increase in deposits	(2,000)
Net cash flow from investing activities	(6,800)
Net increase in cash and cash equivalents	11,305
Cash and cash equivalents at beginning of period	25,520
Cash and cash equivalents at end of period	36,825

The accompanying notes are an integral part of this statement.

SOUTHWEST LOUISIANA PRIMARY HEALTH CARE CENTER, INC.
Opelousas, Louisiana

NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Southwest Louisiana Primary Health Care Center, Inc., hereinafter referred to as the Clinic, was organized under the provisions of R.S. 1992, Title 32, Chapter 3, as amended, State of Louisiana on May 27, 1992, and recorded in the Non-Profit Corporations Book of the State of Louisiana.

The Clinic is organized to provide efficient and effective health care through the operation of a health delivery system designed to meet the medical needs of the community, i.e., early detection diagnosis, and treatment of illnesses and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civility and socially. The Clinic provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The area served consists of the whole of St. Landry Parish. The services are provided through an outpatient clinic, the Clinic, with a referral program, health education and limited medical services for hospitalization.

The corporation is organized on a non-stock membership basis. Fifty-one (51%) percent of the members of the board are chosen by the population served and at least three (3) members are representatives of the community with knowledge of the health needs of the population served and experience in the delivery of health care services. All members of the Board are elected for one (1) year terms determined at an annual general meeting held between May and June of each year.

The corporation qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code and was notified of such status on July 23, 1992, pursuant to an advance ruling period beginning on May 27, 1992, and ending on December 31, 1994. Accordingly, during the advance ruling period, the corporation is treated as a public supported organization, and not as a private foundation. Within ninety (90) days after the end of the advance ruling period, a determination will be made as to qualifications as a publicly supported organization under section 509(a) (2) of the Internal Revenue Code.

In December 1973, Congress passed the Rural Health Clinic Services Act of 1973 (Public Law 93-210) to provide financial support for facilities using physician extenders to provide primary health care services in rural, medically underserved areas. The Law authorized Medicare and Medicaid payments to qualified rural health clinics for covered health care services furnished by or under the direction of nurse practitioners and physician assistants. In order to qualify as a rural health clinic under Medicare and Medicaid, a facility must be under the general direction of a physician, be located in a rural area and operate in an area designated by the Department of Health, Education, and Welfare as having a shortage of personal health services, be engaged essentially in providing outpatient primary medical care, and meet health and safety requirements prescribed by Medicare and Medicaid regulations.

During the year ended June 30, 1986, the Clinic's operations were funded by a Community Health Services Rural Health Initiative (RHI) Grant awarded under Section 130 of the Public Health Services Act, as amended. Various restrictions are placed on expenditures of these funds. Reconciliations of used and unused funds are prepared at the end of the program year and the propriety of such funds determined by the Department of Health and Human Services.

Development Stage

The Clinic began servicing patients on February 1, 1983, and all operations prior to that time were devoted to training, recruitment and the development of organization policies and procedures. All costs associated with the development stage to January 31, 1983, have been capitalized as development costs and are amortized in these financial statements.

Reporting Entity

The accompanying financial statements of the Clinic presents the financial position and results of operations of the various fund types, restricted and unrestricted. All activities of the Clinic are included in these financial statements.

Basis of Accounting

Basis of accounting refers to when support, revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Clinic utilizes the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred.

Federal grant funds are recognized as support when the awards are approved by the Department of Health and Human Services. Expenses are recognized when incurred or obligated.

Expenses

A budget outlining grant awards, program revenues and expenses is submitted prior to the start of each fiscal year for approval by the Department of Health and Human Services. Budget amendments and charges are allowed by prior approval from the Department of Health and Human Services.

Uncollectible Accounts

The Clinic's estimate of uncollectibility is applied to accounts receivable to establish an allowance for uncollectible accounts. Additionally, patients are given discounts on a sliding-scale basis based upon their ability to pay.

Inventory

Inventory is stated at the lower of cost or market value and is comprised of medical drugs and supplies. Inventory on hand at the end of the period is recorded as an asset in the financial statements.

Property and Equipment

Property and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation.

Depreciation is provided in the financial statements to operations over estimated useful lives of the depreciable assets on the straight-line basis. The following estimated useful lives are generally used:

Buildings	40 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	5 to 20 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Total Columns on Financial Statements

Total columns on the financial statements are presented only to facilitate financial analysis. Data in three columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Change for New Pronouncement

For the year ended June 30, 1996, the Clinic adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As required by this new Statement, the Clinic has reclassified its financial statements accordingly. The Clinic had unrestricted net assets as of June 30, 1996. This reclassification had no effect on the change in net assets.

NOTE 2 - CASH

At year end, the carrying amount of the Clinic's deposits were as follows:

Petty cash	\$	258
Operating checking		35,725
Savings account		<u>53,832</u>
		<u>\$ 89,815</u>

All deposits were insured by the FDIC.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 1996 consisted of the following:

Patient revenues	\$	120,443
Less: Allowance for uncollectibles	<u>42,212</u>	
Other		<u>3,593</u>
		<u>\$ 81,824</u>



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

To the Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opalocmas, Louisiana

We have audited the financial statements of Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization) as of and for the fiscal year ended June 30, 1990, and have issued our report thereon dated September 17, 1990.

We conducted our 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 Other Nonprofit Institutions." 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 Southwest Louisiana Primary Health Care Center, Inc. is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Southwest Louisiana Primary Health Care Center, Inc.'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.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

NOTE 5 - ACCRUED EXPENSES

A summary of accrued expenses at June 30, 1966 follows:

Compensated absences	\$ 13,304
Salaries	28,663
Total accrued expenses	<u>\$ 41,967</u>

The Clinic estimates a liability for vested rights in its vacation policy accrued and unused at year end. Accruals for other future absences that do not vest have not been estimated and recorded.

NOTE 7 - BOARD OF DIRECTORS

Each of the following directors served the Clinic without compensation:

Mr. D. Balaban, Jr.	President
Ms. J. Coco	Secretary
Mr. L. Hill	Vice President
Rev. J. Hennes	Treasurer
Mrs. E. Neussward	
Mr. M. Norton	
Mrs. H. Bruno	
Ms. M. Muldry	
Mrs. J. Frank	

NOTE 8 - CONTINGENCIES

The Clinic evaluates contingencies based upon the best available evidence. The Clinic believes that no allowance for loss contingencies is considered necessary.

The principal contingencies are described below:

Grant Awards

The ability of the Clinic's continued operations is contingent upon continued funding from the Public Health Service. A \$512,615 grant award has been approved for the year ending June 30, 1967.

Unobligated Federal Funds

The Clinic's grant funds, including amounts awarded for the current budget period, and estimated or actual unobligated federal funds carried over from prior budget periods are authorized for the Clinic's use only in the current budget period in the amount specified by the PHS awarding office in an approved budget on a Notice of Grant Award. As a result of

3. ACCOUNTS RECEIVABLE

Condition. The general ledger control account did not reconcile to the accounts receivable subsidiary.

Recommendation. Procedures need to be developed to reconcile the aged accounts receivable detail to the general ledger each month.

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 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 that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record, and its distribution is not limited.

Robert B. Smith

Certified Public Accountant
September 17, 1998

NOTE 12 - RELATED PARTY TRANSACTIONS

Mr. Joshua Pitre, former attorney for Southwest Louisiana Primary Health Care, Inc. filed a suite for damages to collect unpaid attorney's fees. It is probable that the Clinic will have to pay at least a portion of claimed fees. Projected range of potential loss is \$1000.00 to \$2500.00

Vincent Shaw, former Executive Director of the Southwest Louisiana Health Care, Inc., incurred personal expenses of \$2,368.80 which the Clinic paid on his behalf and is recorded in these financial statements. The Clinic is currently pursuing reimbursement from Mr. Shaw.

NOTE 13 - FUNCTIONAL EXPENSES

Statement of Financial Accounting Standards No. 117 requires functional expenses to be reported. The functional expenses for the fiscal year ended June 30, 1998 are summarized below:

Medical	\$ 881,787
Dental	118,865
Lab	50,434
Medical Records	18,609
Kid Med	36,813
Social Services	31,834
Administration	264,251
Facility	48,504
Transportation	<u>1,322</u>
Total	<u>\$ 1,381,419</u>

NOTE 14 - RESTRICTIONS ON NET ASSETS

All of the restrictions on net assets for the fiscal year ending June 30, 1998 relate to a grant provided by the Louisiana State Department of Health and Hospitals for physicians salaries. The Clinic expended 100% of this grant and is recorded in these financial statements as Temporarily Restricted Net Assets.

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN ASSESS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

We have audited the financial statements of Southwest Louisiana Primary Health Care Center, Inc. a nonprofit organization, as of and for the fiscal year ended June 30, 1996, and have issued our report thereon dated September 17, 1996.

We conducted our 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 Other Nonprofit Institutions." These 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.

The management of Southwest Louisiana Primary Health Care 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, 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.

Recommendation: We recommend that Southwest Louisiana Primary Health Care Center review their policies for discounting rates to dental patients. The clinic should either comply with existing policy or change their policy to meet their current discounted fees.

3. ACCOUNTS RECEIVABLE

Conditions: The general ledger control account did not reconcile to the accounts receivable subsidiary.

Recommendation: Procedures need to be developed to reconcile the aged accounts receivable detail to the general ledger each month.

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 and 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.

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 noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record, and its distribution is not limited.

David L. L. L. L.

Certified Public Accountants
September 17, 1996

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. However, this report is a matter of public record and its distribution is not limited.

Dwight Ball & Roberts

Certified Public Accountants
September 27, 1990



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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL AWARDS

To the Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opaloussa, Louisiana

We have audited the financial statements of Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization) as of and for the fiscal year ended June 30, 1996, and have issued our report thereon dated September 17, 1996. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our 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." These 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 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 conducted for the purpose of forming an opinion on the basic financial statements of Southwest Louisiana Primary Health Care Center, Inc. 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 basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Robert Beall

Certified Public Accountant
September 17, 1996

SOUTHERN LOUISIANA PUBLIC HEALTH CARE CENTER, INC.
Baton Rouge, Louisiana

SCHEDULE OF FEDERAL EXPENDITURES
for the Year Ended June 30, 1996

Federal Agency/ Program Title	Federal FTE Number	Pass-Through Award or Number	Program Amount Received	Reimbursement/ Liabilities
MAJOR PROGRAMS				
U.S. Department of Health and Human Services, Public Health Service				
Direct Programs				
Contract for Health Center Rural Health Initiative Grant	50,000	500	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Contract to U.S. Department of Health and Human Services			<u>\$ 200,000</u>	<u>\$ 200,000</u>



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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

To the Board of Directors
Southwest Louisiana Primary Health Care Center, Inc.
Opelousas, Louisiana

We have audited the financial statements of Southwest Louisiana Primary Health Care Center, Inc. (a nonprofit organization) as of and for the fiscal year ended June 30, 1996, and have issued our report thereon dated September 17, 1996. We have also audited the compliance of Southwest Louisiana Primary Health Care Center, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated September 17, 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." These 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 misstatement and about whether Southwest Louisiana Primary Health Care Center, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit for the fiscal year ended June 30, 1996, we considered the internal control structure of Southwest Louisiana Primary Health Care Center, Inc. in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of Southwest Louisiana Primary Health Care Center, Inc. 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 award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated September 17, 1996.

The management of Southwest Louisiana Primary Health Care 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 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 the federal award program is 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 award programs in the following categories:

General Requirements

Political activity
Civil rights
Cash management
Federal financial reports
Allowable costs/cost principles
Drug-free workplace
Administrative requirements

Specific Requirements

Types of services allowed/disallowed
Eligibility
Matching and level of effort
Reporting
Claims for advances and reimbursements
Amounts claimed or used for matching

For all of 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.

During the fiscal year ended June 30, 1986, the Southwest Louisiana Primary Health Care Center, Inc. expended 100 percent of its total federal awards under the major program listed in the Schedule of Federal Awards.

We performed tests of controls, as required by GAO Circular A-133, 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 the aforementioned major program which is identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than 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 the organization's ability to administer federal award programs in accordance with applicable laws and regulations.

These reportable conditions include:

1. PATIENT AUTHORIZATIONS

Finding: We noted five instances where patients did not sign authorization for medical treatment.

Recommendation: We recommend that Southwest Louisiana Primary Health Care follow their established procedures to ensure all patients sign the appropriate consent forms for medical treatment.

2. SLIDING FEE RATES

Finding: We noted that the Southwest Louisiana Primary Health Care's Dental Department is not discounting rates to the applicable sliding fee schedule as stated within the clinic's policy. The fees are discounted to current Medicaid rates.

Recommendation: We recommend that Southwest Louisiana Primary Health Care center review their policies for discounting rates to dental patients. The clinic should either comply with existing policy or change their policy to meet their current discounted fees.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation at June 30, 1996 is provided:

<u>Property and Equipment</u>				
	<u>Beginning</u>		<u>Disposals</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Land	\$ 25,000			\$ 25,000
Building & Improvements	202,543			202,543
Medical Equipment	150,716	\$ 1,645		152,361
Furniture & Equipment	69,314	1,358		70,672
Vehicle		2,806		2,806
Totals	\$ 447,573	\$ 5,809	\$	\$ 453,382
<u>Accumulated Depreciation</u>				
	<u>Beginning</u>		<u>Disposals</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Building & Improvements	\$ 13,642	\$ 7,136		\$ 20,778
Medical Equipment	24,136	12,887		37,023
Furniture	22,913	12,886		35,799
Vehicle		381		381
Totals	\$ 60,691	\$ 33,289	\$	\$ 93,980

As explained in Note 3, the Clinic receives funding under Section 330 of the Public Health Services Act with various restrictions placed on items obtained by these funds. For the Public Health Service (PHS) Grants Policy Statement, title to real and tangible personal property (expendable and non-expendable) shall vest in the grantee upon acquisition, subject to the accountability requirements and PHS's right to transfer title.

NOTE 5 - DEFERRED CHARGES

Organization costs incurred in the initial formation of the corporation have been capitalized and are amortized using the straight-line method over a five year recovery period as follows:

Organization Costs	\$18,827
Accumulated Amortization	(12,283)
Net Costs Amortizable	
To Future Periods	<u>\$ 6,544</u>