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LOUISIANA  
STATE AUDITORS  
Baton Rouge, Louisiana



LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

**FINANCIAL STATEMENTS  
AND**

**AUDITORS' REPORTS**

**FOR THE FISCAL YEAR ENDED**

**MARCH 31, 1997**

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the auditor, or certified, and other copies made 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 or district court.

Release Date: \_\_\_\_\_

LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

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LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

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MEMBER  
AMERICAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED FINANCIAL ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the Statement of Financial Position of Louisiana Primary Care Association, Inc. as of March 31, 1997, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Louisiana Primary Care Association, Inc.'s management.

The Organization's accounting records were not adequate enough to satisfy ourselves as to the accuracy of the financial statements.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Certified Public Accountants

July 1, 1997

LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
 BAYOU ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION  
 MARCH 31, 1997

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash	\$ 8,071		\$ 8,071
Grants receivable	3,271		3,271
Accounts receivable	4,843		4,843
Prepaid insurance	296		296
Prepaid rent	590		590
Property and equipment			
Net of accumulated depreciation	-----	\$ 14,572	\$ 14,572
<b>Total Assets</b>	<b>\$ 18,853</b>	<b>\$ 14,572</b>	<b>\$ 33,425</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,580		\$ 1,580
Expensed revenue	-----		\$ 480
<b>Total liabilities</b>	<b>\$ 2,060</b>		<b>\$ 2,060</b>
<b>Net Assets</b>			
Unrestricted	\$ 9,610		\$ 9,610
Restricted			
Property and equipment	-----	\$ 14,572	\$ 14,572
<b>Total liabilities and Net Assets</b>	<b>\$ 18,853</b>	<b>\$ 14,572</b>	<b>\$ 33,425</b>

See Accompanying Notes to Financial Statements.

LOUISIANA PREMIER CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>REVENUES AND OTHER SUPPORT</b>				
OB 8 Grants	\$ 32,180			\$ 32,180
Other Grants	6,977			6,977
Membership dues	28,815			28,815
LP/A Conference fees	21,822			21,822
Interest	18			18
Total revenues and other support	110,012			110,012
<b>EXPENSES</b>				
Salaries	\$ 199,862			\$ 199,862
Travel benefits	2,222			2,222
Travel	6,268			6,268
Office supplies and expense	2,779			2,779
Contracted projects	18,262			18,262
Conferences	26,432			26,432
Depreciation			1,368	1,368
Postmaster	3,442			3,442
Facility lease and repairs	6,000			6,000
Utilities and maintenance	2,908			2,908
Insurance	2,124			2,124
Legal and accounting	2,824			2,824
Interest	1,068			1,068
Miscellaneous	6,887			6,887
Other	26,209			26,209
Printing and telephone	19,728			19,728
Membership	1,278			1,278
Retirement	19,580			19,580
Provision	6,822			6,822
Total Expenses	298,022		1,368	299,390
DECREASE IN NET ASSETS	(79,890)		1,368	(78,522)
NET ASSETS, BEGINNING OF PERIOD	81,904	4,994	17,211	104,109
AND (PRODUCT) TRANSFERS	1,025	16,220	2,202	19,447
NET ASSETS, END OF PERIOD	\$ 3,039	\$ 21,214	\$ 18,781	\$ 43,034

See Accompanying Notes to Financial Statements

LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in net assets	5,763,199
Adjusted net assets to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,608
Decrease in accounts receivable	3,802
Increase in grants receivable	1,197
Increase in prepaid insurance	161
Decrease in State Retirement payable	(3,616)
Decrease in accounts payable	(14,642)
Increase in payroll taxes payable	(179)
Increase in deferred revenue	<u>8,882</u>
Net cash flow from operating activities	<u>173,880</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	<u>(1,180)</u>
Net cash flow from investing activities	<u>(1,180)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments - capital lease obligation	<u>(784)</u>
Net cash flow from financing activities	<u>(784)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(18,064)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>88,208</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>70,144</u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Cash paid for interest	<u>1,180</u>

See Accompanying Notes to Financial Statements.

LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) NATURE OF ACTIVITIES

Louisiana Primary Care Association, Inc., (herein after referred to as the **Organization**), was organized under the provisions of R.S. 9550, Title 12, Chapter 2, as amended, State of Louisiana on October 15, 1982, and recorded in the Non-Profit Corporation Book of the State of Louisiana.

The **Organization** was formed as a membership organization for Section 330 Federally Funded community health centers. Its purpose is to render technical and non-financial assistance to Community Health Centers. Specific services include providing continuing medical education workshops for physicians, staffs and governing board members; working with the Louisiana Department of Health and Hospitals in coordinating shared services with Public Health programs; networking; developing a newsletter; sponsoring statewide health fairs; and conducting education programs and workshops. The **Organization** has assumed a leadership role in providing guidance and assistance to Community Health Centers in responding to special activities related to medical manpower development and implementation of a state-based primary care strategy through a cooperative agreement with the Department of Health and Hospitals.

The corporation qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

During the year ended March 31, 1997, the **Organization's** operations were funded by a technical and non-financial assistance grant awarded under Section 330 of the Public Health Service Act, as amended. Various limitations 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



(A) **NATURE OF ACTIVITIES (continued)**

Services. Other support includes membership dues, various contractual relationships, and a one-time state grant issued for Health Demonstration Project issued by the State of Louisiana Department of Health and Hospitals.

(B) **BASIS OF ACCOUNTING**

The financial statements of the **Organization** have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accounts of the **Organization** are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined and presented for the **Organization** as a whole in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

(C) **NET ASSETS**

Net assets of the **Organization** consist of the following:

**UNRESTRICTED**

Accounts for resources that can be expended normally. This fund represents the part of net assets that have not been restricted for identified purposes by donors and grantees. Unrestricted net assets also include assets whose use is contractually limited.

**TEMPORARILY RESTRICTED**

Accounts for funds that can be expended currently, but only for a specified purpose designated by the grantor.

**PERMANENTLY RESTRICTED**

Accounts for the purchase of equipment with useful lives greater than one (1) year and the related depreciation expense charged off.

**(D) BUDGETS**

A budget outlining gross results, 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 changes are allowed by prior approval from the Department of Health and Human Services.

**(E) 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 over the estimated useful lives of the depreciable assets on the straight-line basis. The following estimated useful lives are generally used:

Furniture and Fixtures	4 to 10 years
Equipment	4 to 5 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 as charged to operations currently.

**(F) COMPENSATED ABSENCES**

Louisiana Primary Care Association employees vest in accrued vacation pay. This amount has not been determined and is not recorded in the financial statements. However, management believes this amount to be immaterial.

**(G) TOTAL COLUMNS**

Total columns on the financial statements are presented only to facilitate financial analysis. Data in these columns do not preserve 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.

**NOTE 2 CASH**

At year end, the carrying amounts of the Organization's cash were as follows:

Checking	\$ 7,006
Certificates of Deposit	<u>3,023</u>
Total	<u>\$10,029</u>

All deposits were held at Union Planters Bank and insured by the FDIC.

**NOTE 3 PROPERTY AND EQUIPMENT**

A summary of property and equipment and accumulated depreciation at March 31, 1993, is provided:

	Property and Equipment			Ending Balance
	Beginning Balance	Additions	Disposals	
Furniture and equipment	\$ 68,874	\$ 1,389		\$ 70,263
Accumulated depreciation	<u>51,863</u>	<u>1,630</u>		<u>53,493</u>
Net	<u>\$ 17,011</u>	<u>\$ 759</u>		<u>\$ 17,770</u>

As explained in Note 1, the Organization receives funding under Section 330 of the Public Health Services Act with various restrictions placed on loans obtained by these funds. For the Public Health Service (PHS) Grants Policy Statement, title to real and tangible personal property (separable and non-separable) shall rest in the grantee upon acquisition, subject to the accountability requirements and PHS's right to transfer title.

**NOTE 4 DEFERRED REVENUE**

Deferred revenue consists of membership dues received for the fiscal year ending March 31, 1993.

## NOTE 5 BOARD OF DIRECTORS

Each of the following directors served the Organization without compensation:

Mr. Carl Davis	President
Mr. Milton Belland	President Elect
Ms. Carla DeCuir	Secretary
Ms. Delise Williams	Treasurer
Ms. Willie White	
Ms. Elizabeth Lee	
Ms. Emma Turner	
Ms. Dedra Lamson	
Ms. Lynette Hall	
Ms. Kathleen McCaffery	
Ms. Martha Broussard	
Mr. Emmanuel Smith	
Ms. Phyllis Adams	
Mr. Mike Aubry	

## NOTE 6 CONTINGENCIES

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

The principal contingencies are described below:

### Grant Awards

The ability of the Organization's continued operations is contingent upon continued funding from the Public Health Service.

### Unobligated Federal Funds

The Organization'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 Organization's use only in the current budget period in the amount specified by the PHS awarding office in an approved budget or a Notice of Grant Award. As a result of carryovers of unobligated 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 Organization. The PHS awarding office exercises sole discretion as to the use of these funds.

### Carroll, Inc.

Pursuant to Act No. 356 enacted in 1983 by the Louisiana Legislature, Louisiana Primary Care Association, Inc.'s employees have been participating in the Louisiana State Employee's Retirement System (LASERS). Since LASERS is a qualified governmental retirement system, Internal Revenue Code sect. 3121 (b) excludes State employees from FICA tax contributions, if the State employee is a member of a State retirement plan.

Although Act No. 356 allows certain employees of a "primary health center" to participate in LASERS, the federal statute which defines employment for FICA (in purpose) was not modified in a similar fashion. Therefore, unless the "primary health center" is either part of the Louisiana government or fits another exception from the FICA law, the "primary health center" is still subject to the FICA tax. Since employees of Louisiana Primary Care Association are not State employees, the Association is potentially liable for FICA taxes, penalties and interest on salaries paid since participating in LASERS.

On September 30, 1990, Louisiana Primary Care Association, Inc. requested a Private Letter Ruling from the Internal Revenue Service concerning their obligations for FICA taxes. A final determination from the Internal Revenue Service has not been received; therefore, a liability has not been recorded in the financial statements at March 31, 1997.

### 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.

## NOTE 7

### REVENUES

The Organization operates principally from grants awarded by federal and state governments and generates revenues through memberships assessments and contractual relationships through special projects.

**NOTE B      ACCOUNTS RECEIVABLES**

At year end, accounts receivable consisted of the following:

Employee	\$ 170
Other	<u>3,872</u>
	<u>\$ 4,042</u>

Grant receivable \$ 3,257

The grant receivable represents the balance due from a grant funded under Section 310 of the Public Health Services Act.

**SUPPLEMENTARY INFORMATION**

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS



MEMBER  
SOCIETY OF CHARTERED  
ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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

To the Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1997, and have issued our report thereon dated July 1, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to 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 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.

The management of Louisiana Primary Care Association, 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.



In planning and performing our engagement to audit the financial statements of Louisiana Primary Care Association, Inc. for the fiscal year ended March 31, 1997, 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 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash receipts, payroll, property and equipment, cash disbursements and grant administration.

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.

Of the management suggestions made for the year ended March 31, 1996, those have been implemented: (a) canceled checks were maintained, (b) invoices were available for review, (c) bank statements were reconciled to the general ledger, (d) left fees were properly supported.

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:

#### **L. PAYROLL AUTHORIZATION**

**Finding:** We found that one employee's gross pay exceeded the payroll authorization form by \$170.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure all employee's pay is properly approved and documented within the employee's personnel file.

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. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our analysis of the financial statements of Louisiana Primary Care Association, Inc. for the year ended March 31, 1997.

#### **1. QUARTERLY PAYROLL TAX REPORTS**

**Condition:** Total salaries per the quarterly payroll tax reports did not agree with total salaries per the general ledger.

**Criteria:** Total salaries per the payroll tax reports and the general ledger need to agree for proper internal control over salary and wage administration and payroll reporting requirements.

**Effect:** Underreporting salaries and wages on payroll tax reports exposes Louisiana Primary Care Association to unallowed penalties and interest expense.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure accurate preparation of payroll tax reports that reconcile to the general ledger.

#### **2. INCOMPLETE FINANCIAL RECORDS**

**Condition:** We noted that the financial statements for the year ended March 31, 1997, were not supported with a complete general ledger history of transaction details. Therefore, we were unable to satisfy ourselves that the financial statements are prepared according to Generally Accepted Accounting Principles.

**Criteria:** The financial statements need the supporting documents to ensure that they comply with the grant agreement and they are prepared according to Generally Accepted Accounting Principles.

**Effect:** Inadequate accounting of federal funds exposes Louisiana Primary Care Association to suspending or withholding further federal funds.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure that financial statements are properly prepared according to Generally Accepted Accounting Principles.

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.



Certified Public Accountants

July 1, 1997



MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED ACCOUNTANTS

MEMBER  
SOCIETY OF COSTUME  
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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

To the Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1997, and have issued our report thereon dated July 1, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to 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, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These 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 Louisiana Primary Care Association, 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 Louisiana Primary Care Association, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our engagement to audit 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 general purpose financial statements. The results of our test of compliance disclosed the following material instance of noncompliance.

The conditions of noncompliance tested are described below:

#### **QUARTERLY PAYROLL TAX REPORTS**

**Condition:** Total salaries per the quarterly payroll tax reports did not agree with total salaries per the general ledger.

**Criteria:** Total salaries per the payroll tax reports and the general ledger need to agree for proper internal control over salary and wage administration and payroll reporting requirements.

**Effect:** Overpayments or underpayments, with penalties and interest, of payroll taxes can occur.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure accurate preparation of payroll tax reports that reconcile to the general ledger.

#### **INCOMPLETE FINANCIAL RECORDS**

**Condition:** We noted that the financial statements for the year ended March 31, 1997, were not supported with a complete general ledger history of transaction details. Therefore, we were unable to satisfy ourselves that the financial statements are prepared according to *Generally Accepted Accounting Principles*.

**Criteria:** The financial statements need the supporting documents to ensure that they comply with the grant agreement and they are prepared according to *Generally Accepted Accounting Principles*.

**Effect:** Inadequate accounting of federal funds reports Louisiana Primary Care Association to suspending or withholding further federal awards.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure that financial statements are properly prepared according to *Generally Accepted Accounting Principles*.

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.



Certified Public Accountants

July 6, 1997



## DAUZAT, BEALL & DEBEVECK, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL AWARDS

To the Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1997, and have issued our report thereon dated July 1, 1997. These financial statements are the responsibility of the Organization's management. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to 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, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the engagement to 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 were unable to express an opinion on the financial statements because of a scope limitation.

Our engagement to audit was conducted for the purpose of forming an opinion on the basic financial statements of Louisiana Primary Care Association, 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 engagement to audit the basic financial statements and due to the scope limitation, we are unable to express an opinion on the Schedule of Federal Awards and to the basic financial statements taken as a whole.

Certified Public Accountants  
July 1, 1997

LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
BATON ROUGE, LOUISIANA

SCHEDULE OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

<u>FEDERAL GRANTOR/ PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
<b>MAJOR PROGRAMS</b>		
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Assistance:		
Section 350 P-1	99.129	\$ 121,880
<b>NONMAJOR PROGRAMS</b>		
NO NONMAJOR PROGRAMS		
Total		\$ 121,880



## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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

To the Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1997, and have issued our report thereon dated July 1, 1997. We have also audited the compliance of Louisiana Primary Care Association, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated July 1, 1997.

We conducted our engagement to audit the financial statements 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, "Audit 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 misstatement and about whether Louisiana Primary Care Association, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our engagement to audit for the fiscal year ended March 31, 1997, we considered the internal control structure of Louisiana Primary Care Association, Inc. in order to determine our procedures for the purpose of expressing our opinions on the financial statements of Louisiana Primary Care Association, 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 engagement to audit the financial statements in a separate report dated July 1, 1997.



The management of Louisiana Primary Care Association, 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 in 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 cost/lost principles
- Drug-free workplace
- Administrative requirements

- Specific Requirements
- Types of services allowed/disallowed
- Eligibility
- Matching 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 March 31, 1997, the Louisiana Primary Care Association, Inc. expended 100 percent of its total federal awards under the following major program: Section 330 F-1.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that 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 programs 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. PAYROLL AUTHORIZATION

**Finding:** We found that one employee's gross pay exceeded the payroll authorization form.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure all employee's pay is properly approved and documented within the employee's personnel file.

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.

One 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.

#### 1. QUARTERLY PAYROLL TAX REPORTS

**Condition:** Total salaries per the quarterly payroll tax reports did not agree with total salaries per the general ledger.

**Criteria:** Total salaries per the payroll tax reports and the general ledger need to agree for proper internal control over salary and wage administration and payroll reporting requirements.

**Effect:** Overpayments or underpayments, with penalties and interest, of payroll taxes can occur.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure accurate preparation of payroll tax reports that reconcile to the general ledger.

## 2. INCOMPLETE FINANCIAL RECORDS

**Condition:** We noted that the financial statements for the year ended March 31, 1987, were not supported with a complete general ledger history of transaction details. Therefore, we were unable to satisfy ourselves that the financial statements are presented according to Generally Accepted Accounting Principles.

**Criteria:** The financial statements need the supporting documents to ensure that they comply with the grant agreement and they are presented according to Generally Accepted Accounting Principles.

**Effect:** Inadequate accounting of federal funds exposes Louisiana Primary Care Association to suspending or withholding further federal awards.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure that financial statements are properly prepared according to Generally Accepted Accounting Principles.

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.



Certified Public Accountants

July 1, 1987



MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED ACCOUNTANTS

MEMBER  
NATIONAL SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAMS

To the Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1993, and have issued our report thereon dated July 1, 1993. In our report, our opinion was disclaimed because of a scope limitation.

We have applied procedures to test the compliance of Louisiana Primary Care Association, Inc. with the following requirements applicable to its federal awards programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended March 31, 1993: political activity, civil rights, cash management, federal financial reports, allowable cost/expense principles, drug free work place, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Louisiana Primary Care Association, Inc.'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 Louisiana Primary Care Association, Inc.'s 1997 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 July 1, 1997, on those financial statements.

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.



Certified Public Accountants

July 1, 1997



MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
SOCIETY OF CHARTERED  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

To the Board of Directors  
Louisiana Primary Care Association, Inc.  
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1997, and have issued our report thereon dated July 1, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We have also audited the compliance of Louisiana Primary Care Association, Inc. with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or cost-sharing; reporting; special taxes and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal award programs, which is identified in the accompanying Schedule of Federal Awards, for the fiscal year ended March 31, 1997. The management of Louisiana Primary Care Association, Inc. is responsible for the Organization's compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office Management and Budget (OMB) Circular A-133, "Audit 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 material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our procedures for the Major Program United States Department of Health and Human Services Section 130 Grant disclosed that Louisiana Primary Care Association, Inc. did not comply with the requirement that Louisiana Primary Care Association, Inc. prepare their financial statements in accordance with Generally Accepted Accounting Principles. In our opinion, Louisiana Primary

Case Association, Inc.'s preparation of financial statements in accordance with Generally Accepted Accounting Principles is necessary for Louisiana Primary Care Association, Inc. to comply with the requirements applicable to the Major Program United States Department of Health and Human Services Section 130 Grant.

In our opinion, except for those instances of noncompliance with the requirements applicable to Major Program United States Department of Health and Human Services Section 130 Grant referred to in the fourth paragraph of this report and identified in the accompanying Schedule of Findings and Questioned Costs, Louisiana Primary Care Association, Inc. complied, in all material respects, with the special requirements referred to in the second paragraph that are applicable to its major federal award program for the year ended March 31, 1977.

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.



Certified Public Accountants

July 1, 1977

LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
 BAYOU BOULE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE  
 WITH GENERAL REGULATORY AGENCY'S APPLICATION TO FEDERAL AWARDS PROGRAM  
 TRANSACTIONS FOR THE FISCAL YEAR ENDED MARCH 31, 1997

EXPLAN	Number of Items in Population	Number of Items in Total	Number of Items Not in Compliance	Dollar Amount of Discretion	Dollar Amount of Items Audited	Dollar Amount of Items Not in Compliance	Percent of Questioned Costs
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>Section 508 (f) Program</b>							
<b>CHARITABLE PAYROLL TAX REPORTS</b>							
<b>Condition:</b> Total salaries per the quarterly payroll tax reports did not agree with total salaries per the general ledger.	4	4	3	4	4	4	4
<b>Criteria:</b> Total salaries per the payroll tax reports and the general ledger used to report the 20043 federal payroll over-allow and wage administration act payroll reporting requirements.							
<b>Efforts:</b> Underreporting salaries and wages on payroll tax reports requires Louisiana Primary Care Association to withhold penalties and interest.							
<b>Recommendation:</b> We recommend that Louisiana Primary Care Association establish procedures to ensure accurate preparation of payroll tax reports that reconcile to the general ledger.							

\* Other finding noted, see memorandum cross applicable.



LOUISIANA PRIMARY CARE ASSOCIATION, INC.  
 BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED-COSTS IN COMPLIANCE  
 WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAM  
 TRANSACTIONS FOR THE FISCAL YEAR ENDED MARCH 31, 1997

Program	Number of Items in Evaluation	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Evaluation	Dollar Amount of Items Not in Compliance	Dollar Amount of Items Questioned - Total
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Section 501(c)(3) Program

INCOMPLETE FINANCIAL RECORDS

**Condition:** We noted that the financial processes for the year ended March 31, 1997, were not supported with a complete general ledger listing of transactions. Therefore, we were unable to verify accurately that the financial statements are prepared according to Generally Accepted Accounting Principles.

**Criteria:** The financial statements and the supporting documents to ensure that they comply with the grant agreements and they are prepared according to Generally Accepted Accounting Principles.

**Effect:** Incomplete recording of Federal funds requires Louisiana Primary Care Association to reworking or withholding further Federal awards.

**Recommendation:** We recommend that Louisiana Primary Care Association establish procedures to ensure that financial statements are properly prepared according to Generally Accepted Accounting Principles.

Section 501(c)(3) Program

PAYROLL AUTHORIZATION

Statement of Condition: The employer's gross pay exceeded the corresponding payroll authorization form.	33	33	1	\$104,884	\$104,884	\$ 170	\$ 170
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**Criteria:** Allowable cost/audit principles require that disbursements be supported by proper documentation.

**Effect of Condition:** The payroll was could be disallowed.

**Cause of Condition:** Policy and procedure was not followed.

TOTAL

\$ 170

\* Effect is zero unless, not applicable or not applicable.