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NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA
FINANCIAL STATEMENTS
AND
AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED
JANUARY 31, 1997

~~These financial statements of Natchitoches Outpatient Medical Center, Inc. are prepared in accordance with the provisions of state law, Title 24, Louisiana Revised Statutes, and are not intended to be audited. This report is a public document. A copy of the report has been submitted to the audited entity and other appropriate 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.~~

Prepare Date DEC 31 1997

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

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

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NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

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

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DAUZAT, BEALL & DEBEVEC, CPAs

MEMBER FIRM OF THE
A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the Statement of Financial Position of Natchitoches Outpatient Medical Center, Inc. As of January 31, 1997, and 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 Natchitoches Outpatient Medical Center, Inc.'s management.

Detailed accounts receivable records for patient revenues and detailed property and equipment records were not reasonable to control accounts and we were unable to confirm the accounts receivable amount of \$240,218 and the property and equipment amount of \$2,533,193 or to determine the amounts through alternative procedures. Therefore, we were not able to satisfy ourselves about the amounts at which patient accounts receivable and the related allowance for uncollectibles and the amounts at which property and equipment and the related accumulated depreciation are recorded in the accompanying Statement of Financial Position at January 31, 1997 and the amount of bad debt expense and depreciation expense in the accompanying Statement of Revenues, Expenses and Changes in Net Assets for the year then ended.

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
September 30, 1997

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JANUARY 31, 1997

	<u>Unrestricted General Fund</u>	<u>Temporarily Restricted WFC Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 84,043	\$ 4,503	\$ 88,546
Grants receivable		19,008	19,008
Patient Accounts receivable (net of estimated uncollectible amount of \$40,840)	178,175		178,175
Other Receivables	613,879		613,879
Prepaid expense	24,718		24,718
Property and equipment			
Net of accumulated depreciation	<u>1,189,088</u>	—	<u>1,189,088</u>
Total Assets	<u>\$2,300,243</u>	<u>\$23,463</u>	<u>\$2,323,706</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 158,658		\$ 158,658
Account payable	38,178		38,178
Due to State of Louisiana	74,174	82,183	156,357
Lines of Credit - Exchange Bank	101,213		101,213
Note Payable - Exchange Bank	100,823		100,823
Capital lease payable	<u>472,245</u>	—	<u>472,245</u>
Total Liabilities	1,085,291	82,183	1,167,474
NET ASSETS			
Unrestricted	1,200,960		1,200,960
Temporarily Restricted	—	23,463	23,463
Total net assets	1,200,960	23,463	1,224,423
Total Liabilities and Net Assets	<u>\$2,323,703</u>	<u>\$23,463</u>	<u>\$2,347,166</u>

See Accompanying Notes to Financial Statements.

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

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

	Unrestricted General	Temporarily Restricted MTC	Total
	<u>Fund</u>	<u>Fund</u>	
REVENUES AND OTHER SUPPORT			
Patient Service Revenue (net of contractual allowances)	\$ 1,077,403		\$ 1,077,403
Rail (Sec 139) Grant	1,077,000		1,077,000
MVC Grant		61,243,000	61,243,000
Third party cost reimbursement	376,563		376,563
Miscellaneous	4,338		4,338
Medical Application Fees	2,700		2,700
Interest	2,820		2,820
Total revenues and other support	<u>3,280,824</u>	<u>61,304,200</u>	<u>64,585,024</u>
EXPENSES			
Salaries	1,904,204	117,349	2,021,553
Physician fees	120,721	18,809	139,530
Fringe benefits	189,430		189,430
Continuing Education	37,618		37,618
Office supplies and expense	60,471	8,988	69,459
Medical drugs & supplies	189,940		189,940
Contract labor	11,807		11,807
Depreciation	98,312		98,312
Publications	2,221		2,221
Rent expense	44,882		44,882
Repairs and maintenance	28,240		28,240
Insurance	46,438		46,438
Legal and accounting fees	38,505		38,505
	24,296		24,296
Bad debt expense	208,268		208,268
Miscellaneous	1,508		1,508
Other lab fees	84,207		84,207
Utilities and telephone	125,083		125,083
Other taxes	14,294		14,294
Medical billing	31,220		31,220
Total Expenses	<u>3,220,820</u>	<u>126,337</u>	<u>3,347,157</u>
DECREASE IN NET ASSETS	(59,011)	(12,311)	(71,322)
NET ASSETS, BEGINNING OF PERIOD	1,128,234	54,107	1,182,341
CLAIM ON SALE OF EQUIPMENT	3,451		3,451
ADD (DEDUCT) TRANSFERS	(31,834)	21,824	(10,010)
NET ASSETS, END OF PERIOD	\$1,100,850	\$ 63,620	\$1,164,470

See Accompanying Notes to Financial Statements.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

STATEMENT OF CASH FLOWS
JANUARY 31, 1997

	<u>Exceptional</u> <u>General</u> <u>Fund</u>	<u>Temporarily</u> <u>Restricted</u> <u>Fund</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (Decrease) in net assets	\$ (8,511)	\$ (12,211)	\$ (20,722)
Adjustments to Revenues Income (Decrease) to Net Assets or Net Cash Provided by Operations			
Depreciation	98,512		98,512
Allowance for bad debt	288,568		288,568
Gain on Sale of Equipment	(3,411)		(3,411)
Increase (Decrease) in Operating Assets			
Prepays	(24,718)		(24,718)
Accounts Receivable	(14,884)	12,461	(2,423)
Due from Other Funds			
Deposits			
Increase (Decrease) in Operating Liabilities			
Accounts Payable	(19,499)		(19,499)
Accrued Payroll	30,178	1,181	31,359
Deferred Revenues	(130,098)		(130,098)
Due to State Agencies	24,124		24,124
Net Cash from Operating Activities	<u>128,820</u>	<u>13,642</u>	<u>142,462</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Equipment	(186,216)		(186,216)
Net Cash from Investing Activities	<u>(186,216)</u>		<u>(186,216)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Proceeds - Note Payable	128,025		128,025
Net Borrowing - Line of Credit	181,513		181,513
Principal payments of Capital Lease	(188,825)		(188,825)
Net Cash from Financing Activities	<u>120,713</u>		<u>120,713</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,693)	2,313	(34,380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	218,541	4,272	222,813
CASH AND CASH EQUIVALENTS AT END OF PERIOD	181,848	6,585	188,433
Supplemental (Decrease) Cash Paid for Interest	<u>1,262</u>		

See Accompanying Notes to Financial Statements.

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) NATURE OF ACTIVITIES

Natchitoches Outpatient Medical Center, Inc., hereinafter referred to as the *Clinic*, was organized under the provisions of R.S. 1993, title 12, Chapter 2, as amended, State of Louisiana in December 1977, 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, civilly and socially. The *Clinic* provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The areas served are Tallulah, Leesville, Logansport and Natchitoches. The services are provided through outpatient clinics 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. After the election of Board Members in December, the officers are named at the next regularly scheduled meeting in January.

In December 1977, Congress passed the Rural Health Clinic Services Act of 1977 (Public Law 95-210) 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 and Human Services 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.

NATCHITOCHIES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

During the year ended January 31, 1997, the Clinic's operations were funded by a Community Health Service 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 is determined by the Department of Health and Human Services.

(B) REPORTING ENTITY

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

Basis of Accounting

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

(C) FUND ACCOUNTING

The accounts of the Clinic 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 that have similar characteristics have been combined into fund groups. In accordance with SFAS No. 117, fund balances are classified on the statement of financial position as unrestricted and temporarily restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Unrestricted

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

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted

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

(D) BUDGETS

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 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:

Building	40 years
Furniture and fixtures	5 - 20 years
Equipment	5 - 15 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.

(F) COMPENSATED ABSENCES

Natchitoches Outpatient Medical Center's employee benefits for vacation and sick pay do not vest. Accordingly, no amounts are recorded in the financial statements.

NATCHITOCHIES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) TOTAL COLUMNS

Total columns on the financial statements are presented only to facilitate financial analysis. Data in these 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.

(H) UNCOLLECTIBLE ACCOUNTS

The Clinic estimates an allowance for uncollectible accounts receivable based on prior experience of management.

(I) CASH AND CASH EQUIVALENTS

For the purpose of the financial statements, the Clinic considers all demand deposits and time deposits with an initial maturity of three months or less to be cash equivalents.

(J) INCOME TAX STATUS

The Clinic is exempt from federal income tax under Section 501(C) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Clinic's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Clinic qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

NOTE 2 CASH

At year end, the carrying amount of the Clinic's cash was as follows:

Checking	\$90,578
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All deposits were held in local banks and insured by the FDIC.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation at January 31, 1997, is provided:

	Property and Equipment			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 110,000			\$ 110,000
Building	1,097,020		(32,269)	1,064,751
Furniture & Equip.	671,426	\$71,968		743,394
Vehicles	85,088	14,250	(88,058)	11,280
Totals	<u>\$2,563,534</u>	<u>\$86,218</u>	<u>(120,327)</u>	<u>\$2,529,425</u>

	Accumulated Depreciation			
	Beginning Balance	Additions	Disposals	Ending Balance
Building	\$ 475,017	\$53,281		\$ 528,298
Furniture & Equip.	578,776	42,836		621,612
Vehicles	88,088	2,375	(88,088)	2,375
Totals	<u>\$1,141,881</u>	<u>\$98,492</u>	<u>(88,088)</u>	<u>\$1,152,285</u>

NOTE 4 OTHER RECEIVABLES

Other receivables at January 31, 1997, consisted of the following:

Due from IRS	\$ 30,522
Sales Tax Receivable	12,254
Sale of Equipment	281
Other	435
Third Party Cost Reimbursement	716,972
Less: Allowance for disposed Cost	(185,682)
Total	<u>\$614,629</u>

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 4 OTHER RECEIVABLES (continued)

In accordance with 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. Medicaid reimbursement became effective April 1, 1990 and Medicare, October 1, 1991.

At January 31, 1997, amounts due from Medicare and Medicaid fiscal intermediaries were \$216,676 and \$300,296 respectively. These settlement amounts are subject to audit and adjustment by the fiscal intermediaries. The amounts have been reflected in the financial statements as receivables and revenues, net of an allowance for disputed costs estimated at (25) twenty-five percent for the years ended 1995 and 1996, which have not been settled by fiscal intermediaries.

NOTE 5 BOARD OF DIRECTORS

Each of the following directors served the Clinic without compensation:

Mr. Gerald Taylor, Sr.	President
Mr. Oliver Simon	Vice President
Ms. Mary Lura Johnson	Secretary
Ms. Rosita Humphrey	
Mr. Justice Mallard	
Ms. Huey Daily	
Ms. Dixie Jones	
Ms. Lou Kennedy	
Mr. James Calhoun	
Mr. Tony Wallace	
Mr. Dennis McGuckey	

NOTE 6 CONTINGENCIES

The Natchitoches Outpatient Medical Center, Inc. evaluates contingencies based upon the best available evidence. The Clinic believes that no allowance for loss contingencies is considered necessary.

NATCHITOCHESE OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 4 CONTINGENCIES (continued)

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.

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 carryover 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 Clinic. The PHS 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 the 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.

IRS Information Returns

Form 990, Internal Revenue Service information return of tax exempt organizations is due on the fifteenth (15th) day of the fifth (5) month following the end of the fiscal year more specifically, June 15. The returns for the fiscal years ended January 31, 1996 and 1997 were not filed on time and are subject to penalties up to \$5,000 per year. The Clinic has not recorded a liability in the financial statements for these amounts and expects to have the penalties waived under extenuating circumstances. As of September 30, 1997 this issue had not been resolved.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 7 CAPITAL LEASES

The Clinic leases several pieces of equipment and a modular building on the Tallulah site. Because the leases contain a bargain purchase option, the substance of the leases are that the Natchitoches Outpatient Medical Center, Inc. is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Clinic's assets and liabilities. The original cost of the property under capital lease at January 31, 1997 is as follows:

Modular Building	\$796,350
Phone System	12,758
ECG Machine	7,100
Chemistry Analyzer	97,248
Ultra Sound Machine	\$ 39,900

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of January 31, 1997.

YEAR ENDING JANUARY 31,	
1998	\$216,780
1999	177,432
2000	162,198
2001	<u>146,682</u>
Total Minimum lease payments	703,140
Less - Amount representing interest	<u>(129,404)</u>
Present Value of Minimum lease payments	<u>\$573,736</u>

NOTE 8 OPERATING LEASES

The Clinic provides health services in leased facilities located in Leesville and Lagansport, Louisiana. The facilities are leased from two unrelated parties. Both leases are twelve (12) month operating leases which are renewable by written notice. The Leesville facility lease is cancellable by making a ninety (90) day written notice of intention to terminate. Rental expense for these leases was \$27,860 for the year ended January 31, 1997.

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 9 NOTES PAYABLE

The notes payable obligations of the Clinic at January 31, 1997 are as follows:

8.25% note payable with the Exchange Bank and Trust Co., the accrued interest and principal are due on April 24, 1997.

\$150,025

Operating line of credit with the Exchange Bank and Trust Co., bearing a current variable interest rate of 8.25%. The line requires monthly interest only payments with the principal and accrued interest due at maturity on March 15, 1997. The debt is secured by a collateral mortgage note dated March 15, 1996 for \$150,000. The line of credit limit is \$125,000.

\$221,512

Total \$371,537

NOTE 10 DUE TO STATE OF LOUISIANA

The Clinic owes the State Department of Health and Hospitals the over paid Medicaid claims of the Delta Rural Health Services in Tallulah and also at the Delta Comprehensive Health Services in Logansport. The over payment years are 1992, 1993 and 1994. The over claim balances due back are the following:

Delta	\$ 7,348
Delta	<u>86,328</u>
Total	<u>\$ 93,676</u>

NOTE 11 REVENUES

The Clinic operates principally from grants awarded by federal and state government and generates revenues through patient fee charges. The patient fee charges consisted of the following:

Medicare	\$ 289,840
Medicaid	485,980
Sliding Fee (net)	473,428
Other	<u>28,152</u>
	<u>\$1,277,400</u>

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 12 RELATED PARTY TRANSACTIONS

During the year ended January 31, 1997, the Clinic sold several pieces of equipment and automobiles. These sales were made to two employees and one (1) Board Member. The following table depicts the nature of the transactions:

<u>Name and Title</u>	<u>Item Sold</u>	<u>Sale Price</u>	<u>Amount Due</u>
Wille Valeria, Employee	Car	\$2,080	-0-
Hayy Dally, Board Member	Van	551	\$284
Debra Wortham, Employee	Equip.	980	-0-

NOTE 13 THIRD PARTY REIMBURSEMENT

In accordance with 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 as year end are subject to audit and adjustment by intermediaries, in particular, United Government Services and Tri-Span.

NOTE 14 SELF INSURANCE

The Clinic's medical plan for eligible employees and their dependents is funded through a self insurance plan. The Clinic has hired a third party administrator to handle all claims and make all payments. The Clinic transfers funds to a special checking account which is designated to handle only medical payments. After the funds have been transferred, the third party administrator processes the checks and returns them to the board for approval and signatures.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 13 PRIOR PERIOD ADJUSTMENTS

Certain errors, resulting in both the overstatement and understatement of previously reported assets, liabilities and expenses of the prior year were corrected this year, resulting in the following changes to net assets as of January 31, 1996:

<u>Net Assets</u>	
As previously reported	\$1,429,091
Correction	<u>(163,460)</u>
As adjusted	<u>\$1,265,631</u>

NOTE 14 FUNCTIONAL EXPENSE CLASSIFICATION

In accordance with (FASB) NO. 117, the following table depicts all the expenses for the year ended January 31, 1997 in their functional categories.

	<u>GENERAL</u> <u>—FUND—</u>	<u>WIC</u> <u>FUND</u>	<u>TOTAL</u>
Program Services	\$1,888,846	166,888	\$2,055,734
Administrative	<u>(1,478,154)</u>	<u>158,864</u>	<u>(1,319,290)</u>
	3,150,692	325,752	3,476,444

NOTE 17 SUBSEQUENT EVENTS

At January 31, 1997, the Clinic had a \$601,513 line of credit and a note payable in the amount of \$158,025 with the Exchange Bank and Trust of Natchitoches. Subsequent to year end, the organization refinanced the two debts into one consolidated note. The note requires a monthly payment of \$3,027 over 120 months. The interest rate on the new note is 8.2% with a first payment date of July 3, 1997.

In July 1997, the Board of Directors hired a management consulting firm to assist in restructuring the operations of the Clinic. The changes are centered on the following:

- (A) Fiscal Accountability
- (B) Personnel
- (C) Restated Debt
- (D) Improved Health Care
- (E) Corporate Governing Documents

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
Natchitoches, Louisiana

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

NOTE 18 PATIENT ACCOUNTS RECEIVABLE

Accounts receivable at January 31, 1997 consisted of the following:

Medicare	\$137,810
Sliding Fee	72,803
Medicaid	23,522
Private Insurance	8,325
Less: Allowance for Uncollectibles	<u>(651,882)</u>
Total	<u>\$178,578</u>



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
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 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 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, 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 Natchitoches Outpatient Medical Center, Inc. for the fiscal year ended January 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 January 31, 1996, the following has been implemented: (A) the employer credentials are now checked.

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, would 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. SLIDING FEES

Condition: The Natchitoches Outpatient Medical Center, Inc., did not consistently obtain income verification from patients.

Criteria: The regulations require that all patients who can pay for services be charged according to a sliding fee schedule.

Effect: If the organization does not check and document the patient income, the Clinic will not be able to collect all funds due.

Recommendation: The Clinic should verify all patient income and include documentation in the patient file.

2. BANK RECONCILIATIONS

Condition: Bank reconciliations were not performed on a regular monthly basis or agreed to the general ledger cash accounts.

Criteria: Grant recipients are required to safeguard all assets of the organization.

Effect: The organization could have misappropriated grant funds and not be aware of the problem in a timely manner.

Recommendation: All bank accounts should be reconciled monthly with their corresponding bank statements and should be compared to the books to insure that they agree.

3. PURCHASING SYSTEM

Condition: The current system does not ensure that purchases of supplies and materials are made for the lowest available price. As a recipient of federal dollars, the organization is permitted to purchase goods from vendors under the Louisiana State contract.

Criteria: Organizations receiving federal assistance must adhere to allowable cost/cost principles. The grant goes further to require that all purchases for goods be necessary and reasonable for the proper administration of the program.

Effect: The resulting effect is that the organization will pay more for goods than is necessary or reasonable.

Recommendation: The organization should centralize the purchasing function and purchase as many items as possible under state contract.

4. CONTRACT VIOLATIONS

Condition: We noted that the organization was not making monthly payments under two (2) of their capital leases.

Criteria: The lease contracts require that the organization make monthly payments under the terms of the agreement.

Effect: If the organization is found by the lessor to be in default of the terms in the agreement, the lessor could require the return of the asset.

Recommendation: In order to avoid undue hardship on the organization, all requirements under contractual agreement should be adhered to.

5. 941 PAYROLL TAX RETURN

Condition: The payroll tax liability reported on the Form 941 was incorrect.

Criteria: For the year ended December 31, 1996, the organization did not limit the amount of social security tax paid for individuals who earn more than \$62,700.

Effect: The organization overpaid the social security payroll tax.

Recommendation: The organization should review the tax rules published in the *Cleveland E. Employer's Tax Guide*.

6. COST REPORTS

Condition: The organization did not file the Medicare and Medicaid cost reports for 1996 and 1997 in a timely manner.

Criteria: In order for the organization to recover amounts due for Medicaid and Medicare claims, the organization is required to file annual cost reports.

Effect: The funds due the organization will not be paid over in a timely manner.

Recommendation: The organization should take steps to ensure that the cost reports are filed by the due date.

7. FINANCIAL STATEMENTS

Condition: The financial transactions for the year ended January 31, 1997 were not posted to a general ledger.

Criteria: OMB Circular A-110 requires that the financial management system provide an accurate, current and complete disclosure of the financial results of each federally sponsored project.

Effect: Irregularities could occur as a result of not having an accounting system in accordance with grant requirements.

Recommendation: In order to reduce the risk of errors or irregularities, the accounting system should record all financial transactions in the books in a timely manner.

8. RESULTS OF OPERATION

Condition: The financial position of the organization was not compared to the budget on a regular basis.

Criteria: OMB Circular A-110 requires that the financial management system provide a comparison of actuals with budget amounts for each month.

Effect: The organization was unable to properly manage grant results.

Recommendation: The financial statements should be compared to the budget on a regular basis.

9. FIXED ASSETS

Condition: Policies that are established to control which assets are capitalized or expensed are not being followed.

Criteria: OMB Circular A-110 requires that the financial management system provide effective controls over and accountability of all property.

Effect: Without the utilization of property controls, it is possible for the misappropriation of corporate assets.

Recommendation: Control policies should be modified to ensure that all assets which cost a predetermined amount are being capitalized and recorded on the asset inventory list.

10. PROPERTY TAGS

Condition: The fixed assets do not have property control tags.

Criteria: In accordance with OMB Circular A-110, recipients of federal assistance should adequately safeguard all assets.

Effect: Without the assets being tagged, it will not be readily possible to know which assets belong to the corporation.

Recommendation: The items purchased, which meet requirements established by the laws for fixed assets, should have an identifying sticker or label affixed to it. The sticker should have an identifying property number and it should also state that the asset is property of the Natchitoches Outpatient Medical Center, Inc.

11. ASSET INVENTORY LIST

Condition: The inventory list, which serves to control all fixed assets, did not adequately identify the assets owned by the Natchitoches Outpatient Medical Center, Inc.

Criteria: In order to safeguard the assets in accordance with the COMB Circular, the asset inventory list should be complete.

Effect: Without all assets being recorded on the asset list, the organization will not be able to adequately safeguard all assets.

Recommendation: All assets recorded on the asset inventory list should be identified by a serial number when possible and a tag ID number.

12. PHYSICAL INSPECTION - PROPERTY AND EQUIPMENT

Condition: The organization does not formally conduct a physical inventory of property and equipment on an annual basis.

Criteria: In accordance with the COMB Circular A-118, the recipients of federal assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, fixed assets could be misappropriated.

Recommendation: The organization should have someone from the accounting department conduct an annual physical inventory.

13. SALES TAX

Condition: The organization has been paying \$488.97 a month in sales tax on the capital lease of the modular building in Tallulah.

Criteria: In accordance with state law, the organization is not responsible for sales tax on a modular building, which is created and permanently fixed to the location.

Effect: The organization incorrectly paid sales tax to G.E. Capital.

Recommendation: The organization should approach G.E. Capital and make every attempt to reduce the capital lease obligation by the overpaid sales tax.

14. LEASE AGREEMENTS

Condition: We noted that some of the lease documents were not on file within the office.

Criteria: In order to properly execute all contractual obligations, the clinic should maintain all contracts in their current files.

Effect: Without having the contracts readily available for inspection, the organization could violate the terms of the agreement and be exposed to monetary loss.

Recommendation: All contracts should be maintained in the office.

15. FORM 990 TAX RETURN

Condition: Form 990, annual income tax return, was not filed on time for the years ended January 31, 1996 and 1997.

Criteria: Internal Revenue procedures require that the returns be filed by the fifteenth (15) day of the fifth month following the close of the fiscal year.

Effect: The organization could be subjected to penalties up to \$5,000 per year per return.

Recommendation: The organization should have the returns prepared and filed in a timely manner.

16. LATE AUDIT REPORT

Condition: The organization did not file their January 31, 1997 audit report with the State of Louisiana or their cognizant agency within the required time frame.

Criteria: In accordance with State law, the audit should be filed with the State of Louisiana within six (6) months from the close of the fiscal year. The United State Department of Health and Human Services requires that the audit be filed within four (4) months.

Effect: The organization could possibly be subjected to further grant restrictions.

Recommendation: The organization should take steps to ensure that the audit is performed in a timely manner.

17. ACCOUNTS PAYABLE

Condition: The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-118, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts payable outstanding are recorded on the books and are listed on the subsidiary journal by vendor and amount.

18. ACCOUNTS RECEIVABLE

Condition: The accounts receivable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-118, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded on the books and are listed in the subsidiary journal by vendor and amount.

19. LOUISIANA STATE GRANT

Condition: The organization returned to the State of Louisiana a grant amount of \$150,000.

Criteria: The grant could have been used for operational purposes.

Effect: Ineffective cash management system.

Recommendation: Attempts should be made to recover the returned grant funds.

20. MEDICAL SUPPLIES INVENTORY

Condition: The organization does not formally conduct a physical inventory on an annual basis.

Criteria: In accordance with the OMB Circular A-110, the recipients of Federal Assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, supplies could be misappropriated.

Recommendation: The organization should have someone conduct an annual physical inventory.

21. SALE OF ASSETS

Condition: The organization sold several pieces of equipment without a formal bid process.

Criteria: In order to receive the maximum dollars for the items sold, the organization should have a policy to authorize the sale of assets through a bid process or through an external valuation procedure.

Effect: The organization was not allowed to sell assets to the highest bidder or receive the true value of the assets sold.

Recommendation: Before any assets are sold, the accounting department should attempt to acquire an external valuation or perform a public bid process.

22. STATE UNEMPLOYMENT TAX

Condition: The state quarterly payroll tax returns for the third and fourth quarter of 1996 were not filed or paid on time.

Criteria: The organization is required to file and pay the aforementioned reports by October 31, 1996 and January 31, 1997.

Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalties and interest.

Recommendation: All tax filing and paying deadlines should be strictly adhered to.

23. PAYROLL TAX DEPOSITS

Condition: The federal payroll tax coupon forms 8109 for the year were marked for the incorrect type of tax.

Criteria: The organization is required to deposit and pay form 941 taxes to a banking institution.

Effect: Due to the failure to appropriately mark the tax coupons, the Clinic didn't receive proper credit.

Recommendation: Tax coupons should be appropriately marked by a responsible individual.

24. EMPLOYEE W-2 FORMS

Condition: The social security tax and social security wages were incorrectly reported on some of the W-2s for the year ended December 31, 1996.

Criteria: The social security wages exceeded the cap of \$62,700.

Effect: As a result of reporting social security wages higher than the cap, the social security withheld and reported on the W-2 was incorrect.

Recommendation: The amount withheld and reported on the W-2s should be in accordance with the Circular E, Employer's Tax Guide.

25. WIC REIMBURSEMENT REQUESTS

Condition: The organization could not locate copies of the WIC Program's reimbursement reports for the period February 1996 thru July 1996. As a result, the organization had to obtain copies from the State.

Criteria: The grant requires that all original grant documents be kept on file for a minimum of four (4) years.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: All original grant source documents should be kept on file for a period of four (4) years.

26. WIC DISBURSEMENTS

Condition: Disbursement checks were made payable to cash.

Criteria: The WIC Program grant requires all checks be made payable to a vendor.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: In the future, checks should be made payable to the recipient and not cash.

27. WIC EXPENDITURE REPORT

Condition: When requesting reimbursement funds, the organization did not complete and submit a disbursement report for the month and for the grant period according to budget category.

Criteria: The grant requires that recipients submit a monthly expenditure report consisting of two (2) columns, current expenses and a year to date, categorized by budget category.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: The organization should follow all grant requirements in the contract.

28. RHI PAYROLL AUTHORIZATION

Condition: Several of the rural health grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

29. RHI PAYROLL DISBURSEMENTS

Condition: Several of the rural health grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

30. WIC PAYROLL AUTHORIZATION

Condition: Several of the WIC grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: If the authorized payroll amount is not on file, it is possible to incorrectly pay employees.

Recommendation: All current authorized payroll amounts should be on file.

31. WIC PAYROLL DISBURSEMENTS

Condition: Several of the WIC grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

32. PATIENT CONFIDENTIALITY STATEMENT

Condition: Some of the personnel files on the WIC Program employees did not contain a signed patient confidentiality statement.

Criteria: The grant requires that employees with access to patient information sign a statement that all patient records are confidential.

Effect: The grant support could possibly be reduced.

Recommendation: All employee files should be updated to ensure that they contain a signed patient confidentiality statement.

33. TIME SHEETS

Condition: As a result of our tests, we noted that some of the WIC Program employee pay checks were not supported by time sheets.

Criteria: The grant requires that all activities be supported by source documents.

Effect: The grant support could possibly be reduced.

Recommendation: All WIC Program pay checks should be supported by approved time sheets.

34. CORPORATE BYLAWS

Condition: The Board of Directors current Composition and Bylaws do not fully meet the requirements for the 42CFR 281c.304.

Criteria: The RHI Grant requires that the composition and selection of members be in accordance with the requirements of 42CFR 281c.304.

Effect: Failure of the governing board to meet the RHI Grant requirements, could result in grant restrictions.

Recommendation: The Board should take steps to follow all federal mandates of the RHI Grant.

35. AUTHORIZING SIGNATURES

Condition: Some of the pay checks for the WIC Program did not contain two (2) authorizing signatures.

Criteria: All checks are required to have two (2) authorized signatures.

Effect: Without the correct number of authorized signatures, disbursements could be made without direct Board approval.

Recommendation: All checks should have two (2) authorized signatures.

36. PAID INVOICES

Condition: There were instances where some of the invoices for the WIC Program could not be located.

Criteria: As per the grant contracts, the organization is required to keep source documents on file for at least (4) years.

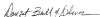
Effect: The organization could possibly have increased grant restrictions.

Recommendation: We recommend that all invoices be kept on file and cancelled with the carbon copy of the check stapled to the outside.

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 believe if taken cumulatively the reportable conditions described above are a material weakness. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our examination of the financial statements of Massachusetts Outpatient Medical Center, Inc. for the year ended January 31, 1997.

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
September 30, 1997



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
Natchitoches Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 16, 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 Natchitoches Outpatient Medical 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 Natchitoches Outpatient Medical Center, 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.

The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in Natchitoches Outpatient Medical Center, Inc.'s January 31, 1997 financial statements.

The conditions of noncompliance tested are described below:

	Number of Entities Compliant	Number of Issues Closed	Number of Items/No in Compliance	Other Amounts of Violations	Dollar Amount Issues Closed	Dollar Amount of Issues Not in Compliance	Amount of Open/Not Closed
1. SLEEPING FEES							
Conditions: The Providence Behavioral Medical Center, Inc. (the "C") is subject to applicable state and federal laws pertaining to	1000	00	00	0	0	0	0
Criteria: The regulations require that allegations also can pay for services for charges according to a sliding fee schedule.							
Effect: If the Organization does not check and document the patient income, the C/ling will create risk to collect all funds due.							
Recommendations: The C/ling should verify all patient income and obtain documentation as the patient file.							
2. BANK RECONCILIATION							
Conditions: Bank reconciliations were not performed on a regular monthly basis or agreed to the general ledger with interest.	14	14	14	0	0	0	0
Criteria: Grant recipients are required to reconcile all assets of the organization.							
Effect: The organization could have misappropriated grant funds and not be aware of the problem in a timely manner.							
Recommendations: All bank accounts should be reconciled monthly, with clear corresponding bank statements and should be prepared by the bank to verify that they agree.							
3. FOOD BANKING SYSTEM							
Conditions: The system controls have not ensured that purchase of supplies and materials are made for the lowest available price. As a recipient of federal dollars, the organization is prohibited to purchase goods from vendors under the Low Bidder Case system.	0	0	0	0	0	0	0
Criteria: Organizations receiving federal assistance must adhere to allowable acquisition principles. The grant gives direction to require that all purchases be made by necessary and reasonable for the proper administration of the program.							

NOTE: Detailed format, and explanation is not applicable.

	Number of Items in Compliance	Number of Items Failed	Number of Items Not in Compliance	Dollar Amount of Non-Compliance	Dollar Amount of Items Not in Compliance	Dollar Amount of Items Not in Compliance	Percent of Overall Score
3. PURCHASING PROCEDURES							
Effect:	The remaining effect is that the organization will pay more for goods than is necessary or reasonable.						
Recommendation:	The organization should consider the purchasing function and purchase to many items in possible under state contract.						
4. CONTRACT VIOLATIONS							
Condition:	1	1	1	4	4	4	4
Criteria:	The issue states that the organization was not making monthly payments under two (2) of their rental leases.						
Evidence:	The lease contracts require that the organization make monthly payments under the terms of the agreement.						
Effect:	If the organization is forced to the extent to be in default of the terms of the agreement, the lease could require the return of the asset.						
Recommendation:	In order to avoid underfunding on the organization, all agreements under contractual agreement should be adhered to.						
5. PAYROLL TAX RETURN							
Condition:	4	4	1	4	4	4	4
Criteria:	For the year ended December 31, 1994, the organization did not remit the amount of social security tax paid for individuals who earn more than \$61,500.						
Effect:	The organization overpaid the social security payroll tax.						
Recommendation:	The organization should review the tax rules published in the <i>Comptroller's Employee's Tax Guide</i> .						
6. COST REDUCTION							
Condition:	10	10	10	4	4	4	4
Criteria:	The organization did not file the Medicare and Medicaid cost reports for 1994 and 1995 in a timely manner.						

*Effect is either stated, not applicable or not applicable.

	Number of Items in Exception	Number of Items Failed	Number of Items that in Compliance	Number Percent of Failures	Number Percent Items Control	Number Percent of Items Not in Compliance	Amount of Outstanding Items
8. REGULATORY OPERATIONS (continued)							
Recommendation: The financial statements should be prepared to reflect cost at historical basis.							
9. FIXED ASSETS							
Condition: Unlike the other subsidiaries, certain health assets are capitalized or expensed versus being depreciated.	1	1	0	0	0	100	1
Criteria: CMS/Circular A-018 requires that the financial management system provide effective accountability and accountability of all assets.							
Effect: Without the utilization of property controls, it is possible for the mismanagement of corporate assets.							
Recommendation: Control policies should be established to ensure that all assets which are a capital asset are being capitalized and recorded under one inventory list.							
10. PROPERTY PLANT							
Condition: The fixed assets do not have property control tags.	1	1	0	0	0	100	1
Criteria: In accordance with CMS/Circular A-018, management of fixed resources should adequately safeguard all assets.							
Effect: Without the assets being tagged, it will not be readily possible to know which assets belong to the corporation.							
Recommendation: The items purchased, which have requirements established in the fixed for fixed assets, should have identifying tag number or identification tags. The assets should have an identifying property number and it should also state that the fixed is property of the Massachusetts Department Medical Center, Inc.							

¹ If there is either manual or computerized it was applicable.

	Number of Examinations	Number of Items -Total	Number of Items Not in Compliance	Ratio Amount of Problems	Ratio Amount Items Total	Ratio Amount of Items Not in Compliance	Amount of Spared Costs
11. WARE INVENTORY LIST							
Condition: The inventory list, which serves to control all fixed assets, did not adequately identify all items held in the San Francisco Veterans Medical Clinic, Inc.	1	1	1	1	1	1	1
Criticism: In order to safeguard the assets in accordance with the GPO Circular the asset inventory list should be complete.							
Effect: Without all assets being recorded on the asset list, the organization will not be able to adequately safeguard all assets.							
Recommendation: All items recorded on the asset inventory list should be identified by a serial number where possible and a tag identifier.							
12. PHYSICAL INSPECTIONS—PROPERTY AND EQUIPMENT							
Condition: The organization does not formally conduct a physical inspection of property and equipment assets annual basis.	1	1	1	1	1	1	1
Criticism: In accordance with the GPO Circular 1-10, the inspection of Federal activities should adequately safeguard all assets.							
Effect: Unless constant contacts a physical inspection on an annual basis, fixed assets could be misappropriated.							
Recommendation: The organization should have protocols that the accounting department conduct an annual physical inventory.							
13. SALES TAX							
Condition: The organization has been paying \$688.97 annually in sales tax on the capital items of the modular building in California.	11	11	11	\$1,109	\$1,109	\$1,109	\$1,109
Criticism: In accordance with state law, the organization is not responsible for sales tax on a modular building which is owned and permanently fixed to the location.							
Effect: The organization incorrectly paid sales tax to C.T. Capital.							

¹Effect is either minimal, not assessable or not applicable.

		Number of Items in Portfolio	Number of Items Closed	Number of Items Not in Compliance	Dollar Amount of Portfolio	Dollar Amount of Items Closed	Dollar Amount of Items Not in Compliance	Amount of Outstanding Liabilities
13.	SALES TAX (continued)							
	Recommendation: The organization should approach C.D. Capital and make every attempt to negotiate capital loan obligations to the greatest extent.							
14.	LEASE AGREEMENTS							
	Condition: We noted that some of the lease agreements were not on file within the office.	7	7	4	0	0	0	0
	Criteria: In order to properly evaluate all contractual obligations, the state should maintain all contracts in their current files.							
	Risks: Without having the contracts readily available for inspection, the organization could violate the terms of the agreement and be subject to monetary loss.							
	Recommendation: All contracts should be maintained in the office.							
15.	FOREIGN TAX RETURNS							
	Condition: Form 990 annual income tax returns were not filed on time for the years ending January 31, 1995 and 1997.	2	2	2	0	0	0	0
	Criteria: Internal Revenue procedures require that the returns be filed by the fifteenth (15) day of the fifth month following the close of the fiscal year.							
	Risks: The organization could be subjected to penalties up to \$2,000 per year per return.							
	Recommendation: The organization should have the returns prepared and filed in a timely manner.							
16.	LATE NIGHT REPORT							
	Condition: The organization did not file their January 31, 1997 report with the State of Louisiana or their compliance agency within the required time frame.	1	1	1	0	0	0	0

¹Office is either normal use, inaccessibility or not applicable.

	Number of Items in Population	Number of Items Audited	Number of Items in Compliance	Dollar Amount of Compliance	Dollar Amount of Items Not in Compliance	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
16. LATE GREAT REPORT (continued)							
Criteria:	In accordance with state law, the audit should be filed with the State of Louisiana within 90 days of fiscal year-end for the fiscal year. The Bureau has Department of Health and Human Services request that the audit be filed within 90 days.						
Effect:	The organization could possibly be subjected to further governmental action.						
Recommendation:	The organization should take steps to ensure that the audits performed in a timely manner.						
17. ACCOUNTS PAYABLE							
Condition:	1	1	1	0	0	0	0
Criteria:	The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.						
Criteria:	In accordance with OMB Circular No. 101, the financial management system should provide for current and accurate disclosure of the financial activities.						
Effect:	The organization was not able to properly analyze their financial position.						
Recommendation:	Steps should be taken to ensure that all accounts payable outstanding are recorded on the books, and are based on the subsidiary journal to verify and correct errors.						
18. ACCOUNTS RECEIVABLE							
Condition:	1	1	1	0	0	0	0
Criteria:	The accounts receivable subsidiary journal was not maintained on a daily basis and did not agree to the general ledger.						
Criteria:	In accordance with OMB Circular No. 101, the financial management system should provide for current and accurate disclosure of the financial activities.						
Effect:	The organization was not able to properly analyze their financial position.						

* Effect or other action, not quantifiable or not applicable

	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
18. ACCOUNTS RECEIVABLE (continued)							
	<p>Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded on the books and adjusted to the amounts proved by checks and amounts.</p>						
19. LOUISIANA STATE GRANT							
	<p>Condition: The organization reflected in the State of Louisiana spent amount of \$4,000,000.</p>						
	<p>Criteria: The grant could have been used for operational purposes.</p>						
	<p>Effect: Ineffective cash management system.</p>						
	<p>Recommendation: Attempts should be made to recover the unspent grant funds.</p>						
20. MEDICAL SUPPLIES INVENTORY							
	<p>Condition: The organization does not identify whether a physical inventory occurs annual basis.</p>						
	<p>Criteria: In accordance with the DHS Circular 0-118, the recipients of Federal allocations should adequately safeguard resources.</p>						
	<p>Effect: Unless inventory controls, physical inventory on an annual basis, supplies could be misappropriated.</p>						
	<p>Recommendation: The organization should have adequate controls in stated physical inventory.</p>						
21. SALE OF ASSETS							
	<p>Condition: The organization will accept proceeds of operations without a formal bid process.</p>						
	<p>Criteria: Needed to receive the maximum dollars for the assets, the organization should have a policy to guarantee the sale of assets through a bid process or through an external valuation procedure.</p>						

*If the number tested, recommendation is not applicable.

	Number of Business Participants	Number of States Involved	Number of Firms/Non- Profit Organizations	Major Industry/Of Participants	Dollar Amount Trans- acted	Dollar Amount of Direct Service Compliance	Amount of Quasi-Grant Costs
20. SALE OF GOODS SERVICES							
Effect: The organization can use information and assets of the highest levels of management (the values of the organization)							
Recommendation: Before any assets are sold, the receiving department should attempt to acquire an external valuation or perform a published process							
21. STATE UNEMPLOYMENT TAX							
Condition: The state quarterly payment was made for the third and fourth quarter of 1998 was not filed on positive time	4	4	2	4	4	0	1
Criteria: The organization is required to file and pay the state unemployment liability by October 15, 1999 and January 31, 2001.							
Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalties and interest.							
Recommendation: All an filing and paying deadlines should be strictly adhered to.							
22. PAYROLL TAX REPORTS							
Condition: The federal payroll tax reporting forms 941 for the year were not filed for the normal type of tax	7	7	4	4	4	0	1
Criteria: The organization is required to report and pay these tax items in a timely manner							
Effect: There is the danger to approximately half the tax credits the ERM didn't receive proper credit							
Recommendation: The credits should be appropriately marked by a responsible individual							

* Effects are either normal, not quantifiable or not applicable

		Number of Items in Expenditure	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Compliance	Dollar Amount of Items Not in Compliance	Dollar Amount of Items Not in Compliance	Amount of Unallowed Funds
24.	EMPLOYEE W-2 FORMS							
	Condition: The annual reports on and annual salary wage rates accurately represent rates on the W-2's for the full annual December 31, 1996.	12	12	0	0	0	0	0
	Critique: The annual salary wage rates/allowable rate of 6.0% was.							
	Effect: As a result of reporting annual salary wage higher than the actual annual salary without adjustment on the W-2 was incorrect.							
	Recommendation: The annual salary and representation the W-2's should be in accordance with the Circular of (Department) for Civil.							
24.	WIC REIMBURSEMENT REQUESTS							
	Condition: The organization could not obtain copies of the WIC Program's reimbursement reports for the period February 1999 until July 1999. As a result, the organization had to obtain copies from the State.	28	28	12	0	0	0	0
	Critique: The grant requires that all original grant documents be kept on file for a minimum of four (4) years.							
	Effect: The organization could be subjected to increased grant re-audits.							
	Recommendation: All original grant report documents should be kept on file for a period of four (4) years.							
25.	WIC Grant Disbursements							
	Condition: Unreimbursed checks were made payable to cash.	142	19	2	\$0,000	\$4,000	\$100	\$100
	Critique: The WIC Program's grant requires all checks to made payable to a vendor.							

*None is value normal, was established to not applicable.

		Number of Items in Violation	Number of Items Allowed	Number of Items Not in Compliance	Dollar Amount of Violation	Dollar Amount of Items Under Appeal	Dollar Amount of Items Not in Compliance	Percent of the Overall Total
24.	W-2/1099-MISSTATEMENTS (continued)							
	Effect: The organization could be subjected to monetary/penal sanctions.							
	Recommendation: In the future, the organization should be more diligent in the response and/or case.							
25.	W-2/1099-REMITTANCE REPORT							
	Condition: When requesting non-employment funds, the organization did not complete and submit a reimbursement report for the month and for the gross payroll accounting budget category.	24	26	24	\$	\$	\$	4
	Critical: The prerequisite that no expense/receipt is readily available upon completion of the (3) process, correct expenses and a sum to date, categorized by budget category.							
	Effect: The organization could be subjected to financial/penal sanctions.							
	Recommendation: The organization should follow all grant requirements in the contract.							
26.	HR PAYROLL INFORMATION							
	Condition: Several of the total health-plan employees did not have an authorized payroll amount documented about the	56	11	11	\$	\$	\$	11
	Critical: In order to comply with grant requirements, all employees under the total health plan should have their authorized payroll on file.							
	Effect: As a result of not updating the employees' files for payroll changes, it is impossible to bill related employee costs correctly and							
	Recommendation: All current authorized payroll amounts should be on file.							

*Effect is either neutral, not measurable or not applicable.

		Number of Inactive Contributors	Number of Items Filed	Number of Items Not in Compliance	Bolton Amount of Contribution	Bolton Amount Items Filed	Bolton Amount of Items Not in Compliance	Amount of Specified Loss
IV. RETIRED/ROLL OVERMENTS								
Condition:	Percent of the total health plan enrollees' payroll dollar ages in their rollovered payroll amount documented in their file	56	17	0	*	*	*	*
Criticism:	In order to comply with plan requirements, all employees under the health plan must have their rollovered payroll on file							
Effect:	As a result of not updating the enrollees' files for payroll changes, it is impossible to tell whether the employees were correctly paid							
Recommendation:	All current rollovered payroll amounts should be on file							
VI. WIC PAYROLL AUTHORIZATION								
Condition:	Percent of the WIC plan enrollees' total wages or authorized pay roll amount documented in their file	14	12	8	0	1	1	0
Criticism:	In order to comply with plan requirements, all employees under the WIC plan should have their authorized payroll on file							
Effect:	WIC authorized payroll amount is not on file, it is possible to incorrectly pay employees							
Recommendation:	All current authorized pay roll amounts should be on file							
VII. WIC PAYROLL REQUIREMENTS								
Condition:	Percent of the WIC plan enrollees' payroll dollar ages in their rollovered payroll amount documented in their file	14	12	1	0	1	1	0
Criticism:	In order to comply with plan requirements, all employees under the WIC plan should have their rollovered payroll on file							

* Effect is either normal, not applicable or not applicable

	Number of Items in Population	Number of Items Tested	Number of Items that are Compliant	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items that are Compliant	Percent of Population Compliant
20. WFC PAYROLL DISBURSEMENTS (continued)							
Effect: As a result of implementing the program, it is impossible to tell whether the population is not compliant.							
Recommendation: All control-related paper documents should be on file.							
21. PAYROLL CONFIDENTIALITY STATEMENT							
Condition: Some of the personnel files on the WFC program employees did not contain a signed payroll confidentiality statement.	26	17	6	\$	\$	\$	%
Evidence: The grant report that employees with access to payroll information sign a statement that all payroll records are confidential.							
Effect: The grant report could possibly be falsified.							
Recommendation: All employees that should be required to sign the statement signed payroll confidentiality statement.							
22. TIME SHEETS							
Condition: As a result of our test, we found that some of the WFC program employees' job standards are not supported by time sheets.	126	23	1	\$17,366	\$8,622	\$80	100
Evidence: The grant report states that the time sheets are supported by source documents.							
Effect: The grant report could possibly be falsified.							
Recommendation: All WFC program jobs should be supported by appropriate approval time sheets.							
23. COMPLIANCE MANUALS							
Condition: The Board of Directors cannot determine and the Board does not fully meet the requirements for the 12 CFR 101.104.	1	1	0	\$	\$	\$	%

¹ Effect is either correct, not verifiable or not applicable

	Number of Items in Resolution	Number of Items Passed	Number of Items Not in Compliance	Dollar Amount of Resolutions	Dollar Amount Items Passed	Dollar Amount of Items Not in Compliance	Amount of Operational Losses
13. CORPORATE BYLAWS (continued)							
Condition: The EOP Panel requires that the composition and election of members to or from the Board of Directors at 2013 EOP Panel 2014							
Effect: Failure of the corporation to elect to meet the EOP Panel requirements, could result in past violations							
Recommendation: The Board should take steps to inform all listed members of the EOP Panel							
14. ANTI-CORRUPTION POLICY (APC)							
Condition: None of the independent directors for the WC Program and management team (2) submitted signatures	20	21	1	\$11,380	\$9,820	\$1,560	\$
Effect: All directors required to have their (2) submitted signatures							
Effect: Without the correct number of submitted signatures, disbursements could be made without client Board approval							
Recommendation: All directors should have their (2) submitted signatures							
15. PAID EXECUTIVES							
Condition: There were no income statements for the income for the WC Program could not be located	10	10	0	\$4,780	\$4,780	\$0.00	\$4,780
Effect: As per the program terms, the organization is required to keep income documents on file for a least 10 years							
Effect: The organization could possibly have income paid incorrectly							
Recommendation: We recommend that all members be informed the and consistent with the correct scope of the stock applied to the income							
				Total			\$4,780

*Effect is subject to audit, not representative of an opinion

We considered these instances of noncompliance in assessing whether Natchitoches Outpatient Medical Center, Inc.'s January 31, 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 September 30, 1997, on these 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

September 30, 1997



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL AWARDS

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

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 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, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These 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 statements 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 Natchitoches Outpatient Medical Center, Inc. taken as a whole. The accompanying Schedule of Federal Awards is prepared 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

September 30, 1997

**NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA**

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

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICE			
Direct Assistance			
Community Health Center Rural Health Initiative Grant (RHI)*	10.224	CS4600-11-110	\$ 1,477,040
UNITED STATES DEPARTMENT OF AGRICULTURE			
Funded through Louisiana Department of Health and Hospitals:			
Women, Infant and Children (WIC)*	10.557	N/A	119,110
Total Expenditures			<u>\$ 2,000,170</u>

*Major Federal Awards Program



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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

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

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. We have also audited the compliance of Natchitoches Outpatient Medical Center, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated September 30, 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, "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 and about whether Natchitoches Outpatient Medical Center, 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 January 31, 1997, we considered the internal control structure of Natchitoches Outpatient Medical Center, Inc. in order to determine our procedures for the purpose of expressing our opinions on the financial statements of Natchitoches Outpatient Medical 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 engagement to audit the financial statements in a separate report dated September 30, 1997.

The management of Nashitoches 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 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 cost/allowable 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 January 31, 1997, the Nashitoches Outpatient Medical Center, Inc. expended 100 percent of its total federal awards under the major programs listed in the Schedule of Federal Awards.

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 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 those 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, would adversely affect the Organization's ability to administer federal award programs in accordance with applicable laws and regulations.

These reportable conditions include:

1. SLIDING FEES

Condition: The Natchitoches Outpatient Medical Center, Inc., did not consistently obtain income verification from patients.

Criteria: The regulations require that all patients who can pay for services be charged according to a sliding fee schedule.

Effect: If the Organization does not check and document the patient income, the Clinic will not be able to collect all funds due.

Recommendation: The Clinics should verify all patient income and include documentation in the patient file.

2. BANK RECONCILIATIONS

Condition: Bank reconciliations were not performed on a regular monthly basis or agreed to the general ledger cash accounts.

Criteria: Grant recipients are required to safeguard all assets of the organization.

Effect: The organization could have misappropriated grant funds and not be aware of the problem in a timely manner.

Recommendation: All bank accounts should be reconciled monthly with their corresponding bank statements and should be compared to the books to assure that they agree.

3. PURCHASING SYSTEM

Condition: The current system does not ensure that purchases of supplies and materials are made for the lowest available price. As a recipient of federal dollars, the organization is permitted to purchase goods from vendors under the Louisiana State contract.

Criteria: Organizations receiving federal assistance must adhere to allowable cost/best principles. The grant goes further to require that all purchases for goods be necessary and reasonable for the proper administration of the program.

Effect: The resulting effect is that the organization will pay more for goods than is necessary or reasonable.

Recommendation: The organization should centralize the purchasing function and purchase as many items as possible under state contract.

4. CONTRACT VIOLATIONS

Condition: We noted that the organization was not making monthly payments under two (2) of their capital leases.

Criteria: The lease contracts require that the organization make monthly payments under the terms of the agreement.

Effect: If the organization is found by the lender to be in default of the terms in the agreement, the lender could require the return of the asset.

Recommendation: In order to avoid undue hardship on the organization, all requirements under contractual agreement should be adhered to.

5. 940 PAYROLL TAX RETURN

Condition: The payroll tax liability reported on the Form 940 was incorrect.

Criteria: For the year ended December 31, 1996, the organization did not limit the amount of social security tax paid for individuals who are paid more than \$62,700.

Effect: The organization overpaid the social security payroll tax.

Recommendation: The organization should review the tax rules published in the Circular *E. Employer's Tax Guide*.

6. COST REPORTS

Condition: The organization did not file Medicare and Medicaid cost reports for 1996 and 1997 in a timely manner.

Criteria: In order for the organization to receive amounts due for Medicaid and Medicare claims, the organization is required to file annual cost reports.

Effect: The funds due the organization will not be paid over in a timely manner.

Recommendation: The organization should take steps to ensure that the cost reports are filed by the due date.

7. FINANCIAL STATEMENTS

Condition: The financial transactions for the year ended January 31, 1997 were not posted to a general ledger.

Criteria: OMB Circular A-110 requires that the financial management system provide an accurate, current and complete disclosure of the financial results of each federally sponsored project.

Effect: Irregularities could occur as a result of not having an accounting system in accordance with grant requirements.

Recommendation: In order to reduce the risk of errors or irregularities, the accounting system should record all financial transactions in the books in a timely manner.

8. RESULTS OF OPERATION

Condition: The financial position of the organization was not compared to the budget on a regular basis.

Criteria: OMB Circular A-110 requires that the financial management system provide a comparison of outlays with budget amounts for each award.

Effect: The organization was unable to properly manage grant results.

Recommendation: The financial statements should be compared to the budget on a regular basis.

9. FIXED ASSETS

Condition: Policies that are established to control which assets are capitalized or expensed are not being followed.

Criteria: OMB Circular A-110 requires that the financial management system provide effective controls over and accountability of all property.

Effect: Without the utilization of property controls, it is possible for the misappropriation of corporate assets.

Recommendation: Control policies should be modified to ensure that all assets which cost a predetermined amount are being capitalized and recorded on the asset inventory list.

10. PROPERTY TAGS

Condition: The fixed assets do not have property control tags.

Criteria: In accordance with OMB Circular A-110, recipients of federal assistance should adequately safeguard all assets.

Effect: Without the assets being tagged, it will not be readily possible to know which assets belong to the corporation.

Recommendation: The items purchased, which meet requirements established by the board for fixed assets, should have an identifying sticker or discal affixed to it. The sticker should have an identifying property number and it should also state that the asset is property of the Northcoast Outpatient Medical Center, Inc.

11. ASSET INVENTORY LIST

Condition: The inventory list, which serves to control all fixed assets, did not adequately identify the assets owned by the Northcoast Outpatient Medical Center, Inc.

Criteria: In order to safeguard the assets in accordance with the OMB Circular, the asset inventory list should be complete.

Effect: Without all assets being recorded on the asset list, the organization will not be able to adequately safeguard all assets.

Recommendation: All assets recorded on the asset inventory list should be identified by a serial number when possible and a tag ID number.

12. PHYSICAL INSPECTION - PROPERTY AND EQUIPMENT

Condition: The organization does not formally conduct a physical inventory of property and equipment on an annual basis.

Criteria: In accordance with the OMB Circular A-119, the recipients of federal assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, fixed assets could be misappropriated.

Recommendation: The organization should have someone from the accounting department conduct an annual physical inventory.

13. SALES TAX

Condition: The organization has been paying \$488.97 a month in sales tax on the capital lease of the modular building in Tallahassee.

Criteria: In accordance with state law, the organization is not responsible for sales tax on a modular building which is erected and permanently fixed to the location.

Effect: The organization incorrectly paid sales tax to G. E. Capital.

Recommendation: The organization should approach G. E. Capital and make every attempt to reduce the capital lease obligation by the overpaid sales tax.

14. LEASE AGREEMENTS

Condition: We noted that some of the lease documents were not on file within the office.

Criteria: In order to properly associate all contractual obligations, the Clinic should maintain all contracts in their current files.

Effect: Without having the contracts readily available for inspection, the organization could violate the terms of the agreement and be exposed to monetary loss.

Recommendation: All contracts should be maintained in the office.

15. FORM 990 TAX RETURN

Condition: Form 990, annual income tax return, was not filed on time for the years ended January 31, 1996 and 1997.

Criteria: Internal Revenue procedures require that the returns be filed by the 15th day of the 4th month following the close of the fiscal year.

Effect: The organization could be subjected to penalties up to \$1,000 per year per return.

Recommendation: The organization should have the returns prepared and filed in a timely manner.

16. LATE AUNT REPORT

Condition: The organization did not file their January 31, 1997 audit report with the State of Louisiana or their cognizant agency within the required time frame.

Criteria: In accordance with State law, the audit should be filed with the State of Louisiana within six (6) months from the close of the fiscal year. The United States Department of Health and Human Services requires that the audit be filed within four (4) months.

Effect: The organization could possibly be subjected to further grant restrictions.

Recommendation: The organization should take steps to ensure that the audit is performed in a timely manner.

17. ACCOUNTS PAYABLE

Condition: The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-110, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts payable outstanding are recorded on the books and are listed on the subsidiary journal by vendor and amount.

18. ACCOUNTS RECEIVABLE

Condition: The accounts receivable subsidiary journal was not maintained on a daily basis and did not agree to the general ledger.

Criteria: In accordance with OMB Circular A-110, the financial management system should provide for current and accurate disclosure of the financial activities.

Effect: The organization was not able to properly analyze their financial position.

Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded on the books and are listed in the subsidiary journal by vendor and amount.

19. LOUISIANA STATE GRANT

Condition: The organization refunded to State of Louisiana a grant amount of \$134,600.

Criteria: The grant could have been used for operational purposes.

Effect: Ineffective cash management system .

Recommendation: Attempts should be made to recover the returned grant funds.

20. MEDICAL SUPPLIES INVENTORY

Condition: The organization does not formally conduct a physical inventory on an annual basis.

Criteria: In accordance with the OMB Circular A-114, the recipients of Federal Assistance should adequately safeguard all assets.

Effect: Unless someone conducts a physical inspection on an annual basis, supplies could be misappropriated.

Recommendation: The organization should have someone conduct an annual physical inventory.

21. SALE OF ASSETS

Condition: The organization sold several pieces of equipment without a formal bid process.

Criteria: In order to receive the maximum dollars for the items sold, the organization should have a policy to authorize the sale of assets through a bid process or through an external valuation procedure.

Effect: The organization was not allowed to sell assets to the highest bidder or receive the true value of the assets sold.

Recommendation: Before any assets are sold, the accounting department should attempt to acquire an external valuation or perform a public bid process.

22. STATE UNEMPLOYMENT TAX

Condition: The state quarterly payroll tax returns for the third and fourth quarter of 1996 were not filed or paid on time.

Criteria: The organization is required to file and pay the aforementioned reports by October 31, 1996 and January 31, 1997.

Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalties and interest.

Recommendation: All tax filing and paying deadlines should be strictly adhered to.

23. PAYROLL TAX DEPOSITS

Condition: The federal payroll tax coupon forms 8109 for the year were marked for the incorrect type of tax.

Criteria: The organization is required to deposit and pay form 941 taxes to a banking institution.

Effect: Due to the failure to appropriately mark the tax coupons, the Clinic didn't receive proper credit.

Recommendation: Tax coupons should be appropriately marked by a responsible individual.

24. EMPLOYEE W-2 FORMS

Condition: The social security tax and social security wages were incorrectly reported on some of the W-2's for the year ended December 31, 1996.

Criteria: The social security wages exceeded the cap of \$62,700.

Effect: As a result of reporting social security wages higher than the cap, the social security withheld and reported on the W-2 was incorrect.

Recommendation: The amount withheld and reported on the W-2's should be in accordance with the Circular K, Employer's Tax Guide.

25. WIC REIMBURSEMENT REQUESTS

Condition: The organization could not locate copies of the WIC Program's reimbursement reports for the period February 1996 thru July 1996. As a result, the organization had to obtain copies from the State.

Criteria: The grant requires that all original grant documents be kept on file for a minimum of four (4) years.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: All original grant source documents should be kept on file for a period of four (4) years.

26. WIC DISBURSEMENTS

Condition: Disbursement checks were made payable to cash.

Criteria: The WIC Program grant requires, all checks be made payable to a vendor.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: In the future, checks should be made payable to the recipient and not cash.

27. WIC EXPENDITURE REPORT

Condition: When requesting reimbursement funds, the organization did not complete and submit a disbursement report for the month and for the grant period according to budget category.

Criteria: The grant requires that recipients submit a monthly expenditure report consisting of two (2) columns, current expenses and a year to date, categorized by budget category.

Effect: The organization could be subjected to increased grant restrictions.

Recommendation: The organization should follow all grant requirements in the contract.

28. RH PAYROLL AUTHORIZATION

Condition: Several of the rural health grant employees did not have an authorized payroll amount documented in their EAs.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

29. RHE PAYROLL DISBURSEMENTS

Condition: Several of the rural health grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the rural health grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

30. WIC PAYROLL AUTHORIZATION

Condition: Several of the WIC grant employees did not have an authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: If the authorized payroll amount is not on file, it is possible to incorrectly pay employees.

Recommendation: All current authorized payroll amounts should be on file.

31. WIC PAYROLL DISBURSEMENTS

Condition: Several of the WIC grant employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current authorized payroll amounts should be on file.

12. PATIENT CONFIDENTIALITY STATEMENT

Condition: Some of the personnel files on the WIC Program employees did not contain a signed patient confidentiality statement.

Criteria: The grant requires that employees with access to patient information sign a statement that all patient records are confidential.

Effect: The grant support could possibly be reduced.

Recommendation: All employee files should be updated to assure that they contain a signed patient confidentiality statement.

13. TIME SHEETS

Condition: As a result of our tests, we noted that some of the WIC Program employee pay checks were not supported by time sheets.

Criteria: The grant requires that all activities be supported by source documents.

Effect: The grant support could possibly be reduced.

Recommendation: All WIC Program pay checks should be supported by approved time sheets.

14. CORPORATE BYLAWS

Condition: The Board of Directors current Composition and Bylaws do not fully meet the requirements for the 42CFR 581c.104.

Criteria: The RHI Grant requires that the composition and selection of members be in accordance with the requirements of 42CFR 581c.104.

Effect: Failure of the governing board to meet the RHI Grant requirements, could result in grant restrictions.

Recommendation: The board should take steps to follow all federal mandates of the RHI Grant.

35. AUTHORIZING SIGNATURES

Condition: Some of the pay checks for the WIC Program did not contain two (2) authorizing signatures.

Criteria: All checks are required to have two (2) authorized signatures.

Effect: Without the correct number of authorized signatures, disbursements could be made without direct Board approval.

Recommendation: All checks should have two (2) authorized signatures.

36. PAID INVOICES

Condition: There were instances where invoices could not be located.

Criteria: As per the grant contracts, the organization is required to keep source documents on file for at least (4) years.

Effect: The organization could possibly have increased grant restrictions.

Recommendation: We recommend that all invoices be kept on file and canceled with the carbon copy of the check stapled to the outside.

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 the reportable conditions noted above involving the internal control structure and its operation are a material weakness. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of Manalothoson Outpatient Medical Center, Inc. 90th requirements applicable to its major federal award programs for the year ended January 31, 1997, and this report does not affect our report thereon dated September 30, 1997.

dated September 30, 1997.

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
September 30, 1997



DAUZAT, BEALL & DEBEVEC, CPAs

MEMBER FIRM 1977 - 1987
A PROFESSIONAL CORPORATION

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

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

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We have applied procedures to test the compliance of Natchitoches Outpatient Medical Center, 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 January 31, 1997: political activity, civil rights, cash management, federal financial reports, allowable costs/cost 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 Natchitoches Outpatient Medical Center, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, Natchitoches Outpatient Medical Center, Inc., complied with the requirements listed in the second paragraph, except as described in the attached schedule. However, the extent of non-compliance noted in our testing indicates that, with respect to items that were not tested by us, there is more than a relatively low risk that Natchitoches Outpatient Medical Center, Inc. may not have complied with the requirements referred to in the second paragraph. These

issues were considered by us in evaluating whether the financial statements are presented fairly in conformity with 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

September 30, 1997



DAUZAT, BEALL & DEBEVEC, CPAs

MEMPHIS, TENNESSEE
& PROFESSIONAL CORPORATION

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

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

We were engaged to audit the financial statements of Natchitoches Outpatient Medical Center, Inc. (a nonprofit organization) as of and for the fiscal year ended January 31, 1997, and have issued our report thereon dated September 30, 1997. In our report, our opinion was disclaimed because of a scope limitation.

We have also audited the compliance of Natchitoches Outpatient Medical Center, Inc. with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal award program, which is identified in the accompanying Schedule of Federal Awards, for the fiscal year ended January 31, 1997. The management of Natchitoches Outpatient Medical Center, 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; *Governor's 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.

As a result of the noncompliance noted in the accompanying schedule of findings and questioned costs, the organization did not comply with the specific requirements governing its major programs.

In our opinion, because of the noncompliance referred to in the fourth paragraph, Natchitoches Outpatient Medical Center, Inc. did not comply, in all material respects, with the requirements referred to in the second paragraph that are applicable to each of its major federal award programs for the year ended January 31, 1997.

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

September 30, 1997

**NATYCHOCHEA-OUTPATIENT MEDICAL CENTER, INC.
NATYCHOCHEA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997**

EXPLAN	Number of Items in Question	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Question	Dollar Amount Not Questioned	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
BRE PROGRAM							
MEMBER FEES							
Condition: The Natychochea Outpatient Medical Center, Inc., did not consistently obtain written notification from patients.	4,000	(0)	44	*	*	*	*
Criteria: The regulations require that all patients who are paid for services be charged according to a sliding fee schedule.							
Effect: If the Organization does not obtain notification the patient leaves the Clinic will not be able to collect all funds due.							
Recommendation: The Clinic should verify all patient accounts and update documentation on the patient file.							
BANK RECONCILIATIONS							
Condition: Bank reconciliations were computerized on a regular monthly basis at Natychochea Outpatient Medical Center.	21	20	20	*	*	*	*
Criteria: Cash receipts are required to be reconciled at least on the 15th of the month.							
Effect: The organization could have misappropriated your funds and not be aware of the problem or remedy errors.							
Recommendation: All bank accounts should be reconciled monthly with their corresponding bank statements and should be completed under the name of the day signer.							

* Effect is either minimal, not ascertainable or not applicable.

NATCHITOCHES-HITTENTHURST MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

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

Category	Number of Items or Paragraphs	Number of Items Not in Compliance	Number of Items Not in Compliance	Dollar Amount of Expenditures	Dollar Amount Items Noted	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
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FEE PROGRAM

PURCHASING SYSTEM

Condition: The current system does not ensure that purchases of supplies and materials are made for the lowest available price. As a recipient of federal dollars, the organization is permitted to purchase goods from vendors under the Government Acquisition System.

Criteria: Organizational buying policy procedures must adhere to applicable acquisition principles. The given goods further require receipt procedures to provide for frequency and maintainable for the proper administration of the program.

Effect: The buying effort at the time organizational will pay more for goods than is necessary or reasonable.

Recommendation: The organization should continue the purchasing function and purchase as many items as possible under cost contract.

CONTRACT VIOLATIONS

Condition: We noted that the organization was not making monthly payments under two CIO of these capital leases.

Criteria: The lease contracts require that the organization make monthly payments under the terms of the agreement.

Effect: If the organization is found by the lender to be in default of the terms of the agreement, the lender could require the return of the asset.

Recommendation: In order to avoid under liability on the organization, all requirements under contract agreements should be adhered to.

* FICA is either exempt, not applicable or not applicable.

SAATCHI-BENEFIT DISPENSARY MEDICAL CENTER, INC.
SAATCHI-BENEFIT, LOUISIANA

**SCHEDULE OF FINDINGS AND QUANTIFIED COSTS IN COMPLIANCE
WITH GENERAL AND-SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL ACQUISITION PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997**

Item	Number of Items in Transacted	Number of Items Failed	Number of Items Not in Compliance	Dollar Amount of Transaction	Dollar Amount of Items Failed	Dollar Amount of Items Not in Compliance	Amount of Quantified Costs
NEW PROGRAM							
NEW PATIENTS, TWO WEEKS							
<i>Condition:</i> The payroll file typically reported on the form 941 is missing.	4	4	2	4	2	4	4
<i>Criteria:</i> For the year ended September 30, 1995, the organization did not limit the amount of travel expense the paid for individuals who were more than \$62,700.							
<i>Effect:</i> The organization accepted the travel expense they will be.							
<i>Recommendation:</i> The organization should review the new rules published under Circular Z, Appendix 1, Part Guide.							
COST REPORTS							
<i>Condition:</i> The organization did not file Medicare and Medicaid cost reports for 1994 and 1995 in a timely manner.	10	10	10	4	4	4	4
<i>Criteria:</i> According to the organization's contract agreement for Medicare and Medicaid claims, the organization is required to file annual cost reports.							
<i>Effect:</i> The Medicare the organization will not be paid for the newly claims.							
<i>Recommendation:</i> The organization should take appropriate that the cost reports are timely filed.							

* If the number exceeds the requirements it is not applicable.

NAUTATOCHEUS EQUIPMENT MEDICAL CENTER, INC.
METEYENDECHES, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997**

Program	Number of Items or Transactions	Number of Items Denied	Number of Items Not in Compliance	Dollar Amount of Exclusion	Dollar Amount of Items Excluded Total	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
BBI PROGRAM							
FINANCIAL STATEMENTS							
Condition: The financial statements for the year ended January 31, 1997 were not prepared in a general ledger.	*	*	*	*	*	*	*
Cause: OMB Circular A-110 requires that the financial management system provide an accurate, current and complete description of the financial results of each federally sponsored project.							
Effect: Regulators could issue an opinion of not having an accounting system in accordance with grant requirements.							
Recommendation: It is to be noted the not-otherwise an regulator, the accounting system should record all financial transactions on the basis of accrual basis.							
RESULTS OF OPERATION							
Condition: The financial position of the organization was not compared to the budget on a complete basis.	*	*	*	*	*	*	*
Cause: OMB Circular A-110 requires that the financial management system provide a comparison of actuals with budget amounts for each period.							
Effect: The organization was unable to properly manage grant results.							
Recommendation: The financial statements should be compared to the budget on a regular basis.							

* This is subject to audit, not necessarily a cost application.

NATCHITOCHEES-DEPARTMENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

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

EXPLAN	Number of Items on Exception	Number of Items Closed	Number of Items Not in Compliance	Dollar Amount of Exception	Dollar Amount Items Closed	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
III PROGRAM							
FIXED ASSETS							
Condition: Notices that are established in control which assets are appraised or expanded assets being followed.	0	0	0	0	0	0	0
Criteria: OMB Circular A-110 requires that the financial management of assets provide effective maintenance and accountability of all property.							
Effect: Without the utilization of property controls, it is possible for the misappropriation of assets to occur.							
Recommendation: Control policies should be established to ensure that all assets which are a requirement of assets are being appraised and maintained the asset inventory list.							
PROPERTY TAGS							
Condition: The fixed assets do not have property control tags.	0	0	0	0	0	0	0
Criteria: In accordance with OMB Circular A-110, tags of fixed resources should adequately identify all assets.							
Effect: Without the assets being tagged it will make it difficult to know which assets belong to the organization.							
Recommendation: The assets purchased, which are requirements established by the board for fixed assets, should have an identifying marker or label affixed to it. The marker should have an identifying property number and it should also state that the asset is property of the Natchitoches-Department Medical Center, Inc.							
<p>There is other material, not incorporated in this report.</p>							

NATCHITOCHEUS DEPARTMENT MEDICAL CENTER, INC.
NATCHITOCHEUS, LOUISIANA

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

Program	Number of Items or Findings	Number of Items Deleted	Number of Items Not in Compliance	Dollar Amount of Exclusion	Dollar Amount of Items Deleted	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
RH PROGRAM							
ASSET INVENTORY LIST							
Condition: The inventory list, which covers all assets of fixed assets, did not adequately identify the assets owned by the Foundation/Department of Health, Inc.	1	1	0	0	0	0	0
Criteria: In order to categorize assets in accordance with the OMB Circular, the asset inventory list should be complete.							
Effect: Without all assets being included on the asset list, the organization will not be able to adequately categorize all assets.							
Recommendation: All assets included should be identified by a serial number when possible and assign the number.							
PHYSICAL INSPECTION - PROPERTY AND EQUIPMENT							
Condition: The organization does not formally complete physical inventory of property and equipment on an annual basis.	1	1	0	0	0	0	0
Criteria: In accordance with the OMB Circular A-119, the equipment of Federal agencies should adequately categorize assets.							
Effect: Failure to ensure conduct a physical inspection on an annual basis, fixed assets could be misappropriated.							
Recommendation: The organization should have someone from the accounting department conduct an annual physical inventory.							
1 Effect is either minimal, not applicable or not applicable.							

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHES, LOUISIANA

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

Program	Number of Items in Examination	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Findings	Dollar Amount of Items Tested	Dollar Amount of Items Paid in Compliance	Amount of Questioned Costs
HEI PROGRAM							
SALES TAX							
<p>Condition: The organization has been paying 9.375 percent in sales tax on the acquisitions of the modular building in Lafayette.</p> <p>Criteria: In accordance with state law, the organization is not responsible for sales tax on modular building which is created and permanently fixed to the location.</p> <p>Effect: The organization incorrectly paid sales tax on G.E. Capital.</p> <p>Recommendation: The organization should exempt G.E. Capital equipment every month (every 3rd) capital lease obligations by its correct sales tax.</p>	21	21	11	\$1,229	\$1,229	\$1,229	\$1,229
LEASE AGREEMENTS							
<p>Condition: We noted that some of the lease documents were not in file with the office.</p> <p>Criteria: In order to properly account all contractual obligations, the client should maintain all contracts in their general files.</p> <p>Effect: Without having the contracts readily available for inspection, the organization could incur the costs of the operations and/or exposed to liability risk.</p> <p>Recommendation: All contracts should be maintained in the office.</p>	7	7	4	0	0	0	0

* 100% is either assumed, not ascertainable or not applicable.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

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

Program	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
DEFICIENCIES							
FEDERAL TAX MATTERS							
Question: Form 990, annual report required to submit, required filed on time for the year ended January 31, 1996 and 1997	1	1	0	"	"	"	"
Criteria: Internal tax rules provisions require that the return be filed by the fifteenth (15) day of the fifth month following the close of the fiscal year.							
Effect: The organization could be subjected to penalties to \$4,000 per year for failure.							
Recommendation: The organization should have documents prepared and filed in a timely manner.							
LATE ARBIT REPORT							
Question: The organization advised the state January 14, 1997 audit report with the State of Louisiana as their response agency within the required time frame.	1	1	1	"	"	"	"
Criteria: In accordance with state law, the audit should be filed with the State of Louisiana within 90 (90) days from the close of the fiscal year. The United States Department of Health and Human Services requires that the audit be filed within 90 (90) days.							
Effect: The organization could possibly be subjected to further state restrictions.							
Recommendation: The organization should take steps to ensure that the audit is performed in a timely manner.							

* (1) (1) to collect material, not examinable or not applicable.

**SATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.
SATCHITOCHES, LOUISIANA**

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

Program	Number of Items in Population	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Total	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
HEI PROGRAM							
ACCOUNTS PAYABLE							
<p>Condition: The accounts payable subsidiary journal was not maintained on a regular basis and did not agree to the general ledger.</p> <p>Criteria: In accordance with OMB Circular A-119, the financial management system should provide for control and accurate disclosure of the financial activities.</p> <p>Effect: The organization was not able to properly analyze their financial position.</p> <p>Recommendation: Steps should be taken to ensure that all accounts payable outstanding are recorded in the books and are listed on the subsidiary journal by vendor and amount.</p>	1	1	1	*	*	*	*
ACCOUNTS RECEIVABLE							
<p>Condition: The accounts receivable subsidiary journal was not maintained on a daily basis and did not agree to the general ledger.</p> <p>Criteria: In accordance with OMB Circular A-119, the financial management system should provide for control and accurate disclosure of the financial activities.</p> <p>Effect: The organization was not able to properly analyze their financial position.</p> <p>Recommendation: Steps should be taken to ensure that all accounts receivable outstanding are recorded in the books and are listed on the subsidiary journal by vendor and amount.</p>	1	1	1	*	*	*	*

* Effect is either minimal, not quantifiable or not applicable.

**NATCHITOCHOULES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHOULES, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997**

Category	Number of Items in Population	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Total	Dollar Amount of Items Not in Compliance	Percent of Questioned Costs
OMB PROGRAM							
LOUISIANA STATE GRANT							
Condition: The organization reported to the State of Louisiana a grant amount of \$10,000.	*	*	*	*	*	*	*
Criteria: The grant could have been used for operational purposes.							
Effect: Inefficient cash management costs.							
Recommendation: Although donations made to cover the reported grant funds.							
MEDICAL SUPPLIES/EQUIPMENT							
Condition: The organization does not annually conduct a physical inventory on its annual basis.	*	*	*	*	*	*	*
Criteria: In accordance with the OMB Circular A-110 (Principles of Federal Financial Management), inventory management should adequately safeguard resources.							
Effect: Unless records are maintained, a physical inventory on an annual basis, supplies could be misappropriated.							
Recommendation: The organization should have an annual physical inventory.							

* Effect is either minimal, not assessable or not applicable.

NATCHITOCHEUS OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEUS, LOUISIANA

SCHEDULE OF FININGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL SPANISH PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997

PROGRAM	Number of Items in Violation	Number of Items Logged	Number of Items Not in Compliance	Dollar Amount of Penalties	Dollar Amount of Items Returned	Dollar Amount of Items Not in Compliance	Amount of Overlooked Costs
MR PROGRAM							
SALE OF DRUGS							
Conditions: The organization returned excess quantities of equipment without a formal bid process.	1	1	1	0	0	0	0
Comments: In order to reduce the maximum dollar for the items sold, the organization should have a policy to outsource the sale of items through a bid process or through an external valuation procedure.							
Effect: The organization was not allowed to sell items at the highest/bidder or market the fair value of the items sold.							
Recommendations: Update the policy and with the accounting department should attempt to acquire an external valuation or perform a public bid process.							
STATE UNEMPLOYMENT TAX							
Conditions: The pay quarterly payroll tax reports for the third and fourth quarters of 1996 were not filed or paid on time.	4	4	2	0	0	0	0
Comments: The organization is required to file and pay the above mentioned returns by October 31, 1996 and January 31, 1997.							
Effect: Due to the failure to file and pay, the organization will be subjected to unnecessary penalized interest.							
Recommendations: strict filing and paying deadline should be strictly adhered to.							

* If the 0 is either a zeroed-out amount or is not applicable.

**WYCHESNOR OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHULE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (IN COMPLIANCE)
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997**

Program	Number of Items in Evaluation	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Evaluation	Dollar Amount Not in Compliance	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
HR PROGRAM							
FEDERAL TAX DEPOSITS							
Conditions: The Federal year-end tax reports from 10/29 to the date past were submitted by the incorrect type of file.	1	1	1	0	0	0	0
Criteria: The organization is required to deposit and pay their 941 taxes via banking institution.							
Effect: One of the federal reports incorrectly used the tax company, the State's tax newspaper code.							
Recommendation: Tax reports should be appropriately marked by appropriate individual.							
EMPLOYEE W-2 FORMS							
Conditions: The social security tax (employee's security wages) were incorrectly reported on some of the W-2's for the year ended December 31, 1996.	72	72	0	0	0	0	0
Criteria: The social security wages should be the rate of 6.2%.							
Effect: As a result of reporting social security wages higher than the rate, the social security withheld and reported on the W-2 was incorrect.							
Recommendation: The correct withheld and reported on the W-2's should be in accordance with the Circular E, Employee's Tax Guide.							
• Effect is either minimal, not measurable or not applicable.							

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.
NATCHITOCHEES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED-COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDED PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING FEBRUARY 28, 1987

<u>Division</u>	<u>Number of Items in Compliance</u>	<u>Number of Items Total</u>	<u>Number of Items Not in Compliance</u>	<u>Dollar Amount of Violation</u>	<u>Dollar Amount Items Total</u>	<u>Dollar Amount of Items Not in Compliance</u>	<u>Amount of Questioned Costs</u>
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DEPARTMENT OF AGRICULTURE

WIC PROGRAM

WIC REIMBURSEMENT REQUESTS

Condition: The organization qualified health center of the WIC Program's reimbursement system for the period February 1986 to July 1986. As a result, the organization had to enter open transfer files.	24	24	0	-	-	0	0
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Criteria: The grant requires that all original grant documents be kept on file for a minimum of five (5) years.

Effect: The organization could be subjected to reimbursement reductions.

Recommendation: All original grant source documents should be kept on file for a period of five (5) years.

WIC DEBIT CARD REQUESTS

Condition: Dubuque County Health Center made payable records.	142	14	1	\$1,000	\$1,000	\$100	100
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Criteria: The WIC Program grant requires all checks to be made payable to a vendor.

Effect: The organization could be subjected to increased grant reductions.

Recommendation: In the future, checks should be made payable to the recipient and not cash.

* \$0.00 is neither minimal, nor immaterial, or not applicable.

NATCHDORCHS OUTPATIENT MEDICAL CENTER, INC.
NATCHDORCHS, LEHIGHIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997**

Finding	Number of Items in Exception	Number of Items Correct	Number of Items Not in Compliance	Dollar Amount of Exception	Dollar Amount Items Correct	Dollar Amount of Items Not in Compliance	Number of Questions if Correct
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NEW PROGRAM

NEW EXPENDITURE REPORT

Condition: When preparing expenditures from the organizational and integrity and ethics disbursement report for the month and for the year period according to budget category.

	24	24	0	\$	\$	\$	0
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Criticism: The grant requires that expenditures must be monthly expenditures report consisting of one (1) column, correct expenses and a year to date, categorized by budget category.

Effect: The expenditures will be subjected to monthly grant applications.

Recommendation: The grant that should follow all grant expenses in the contract.

NEW PROGRAM

NEW PAYROLL AUTHORIZATION

Condition: Several of the staff health plan employees did not have an authorized payroll amount documented on their file.

	06	00	06	\$	\$	\$	0
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Criticism: In order to comply with grant requirements, all employees under the new health plan should have their authorized payroll on file.

Effect: In a matter of not updating the employees files for payroll changes, it is impossible to bill without employees' new monthly pay.

Recommendation: All payroll authorized payroll amounts should be on file.

1. If they consider several not appropriate or not applicable.

WV DEPARTMENT OF PATIENT MEDICAL CENTER, INC.
SARASOTTA, FLORIDA

**SCHEDULE OF FININGS AND QUANTIFIED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1997**

Program	Number of Items or Violations	Number of Items Total	Number of Items Not in Compliance	Dollar Amount of Fines/Total	Dollar Amount of Items Total	Dollar Amount of Items Not in Compliance	Amount of Quantified Costs
HRG PROGRAM							
HRG PARDON DISBURSEMENTS							
<p>Condition: Amount of the total health care employee's payroll did not agree to their authorized payroll amount documented in their file.</p> <p>Criteria: In order to comply with grant requirements, all employees under the total health care should have their authorized payroll on file.</p> <p>Effect: As a result of not updating the employees' files for payroll changes, it is impossible to tell whether the employees were correctly paid.</p> <p>Recommendation: All current authorized payroll amounts should be on file.</p>	51	11	0	-	-	-	-
HRG PROGRAM							
HRG PARDON AUTHORIZATIONS							
<p>Condition: Some of the HRG grant employees did not have an authorized payroll amount documented in their file.</p> <p>Criteria: In order to comply with grant requirements, all employees under the HRG grant should have their authorized payroll on file.</p> <p>Effect: If the authorized payroll amount is not on file, it is possible to incorrectly pay employees.</p> <p>Recommendation: All current authorized payroll amounts should be on file.</p>	14	11	0	-	-	-	-
<p>• If file is later received, not reportable or not applicable.</p>							

NATCHDORCHS OUTPATIENT MEDICAL CENTER, INC.
NATCHDORCHS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AID/GRANT PROGRAM
TRANSACTIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

Category	Number of Items in Population	Number of Items Sampled	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount From Audit	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
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WIC PROGRAM

WIC PAYROLL REQUIREMENTS

Condition: Several of the WIC program employees' payroll did not agree to their authorized payroll amount documented in their file.

Criteria: In order to comply with grant requirements, all employees under the WIC grant should have their authorized payroll on file.

Effect: As a result of not updating the employees' time by payroll changes, it is impossible to tell whether the employees were correctly paid.

Recommendation: All current, future and payroll accounts should be on file.

PATIENT CONFIDENTIALITY STATEMENT

Condition: Several of the personnel who use the WIC Program employees did not indicate a signed patient confidentiality statement.

Criteria: The grant requires that employees with access to patient information sign a statement that all patient records are confidential.

Effect: The grant support could possibly be reduced.

Recommendation: All employees who should be updated to assure that the correct signed patient confidentiality statement.

* Effect is either minimal, not measurable or not applicable.

NAUTILUS/DEBBIE DEPTMENT MEDICAL CENTER, INC.
 METairie, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL GRANTS PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1987

Program	Number of Items in Population	Number of Items Insured	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items Insured	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
WC PROGRAM							
TIME SHEETS							
<p>Condition: As a result of our audit, we noted that some of the WC Program employee pay checks were not supported by time sheets.</p> <p>Criteria: The grant requires that all activities be supported by course documents.</p> <p>Effect: The grant support could possibly be reduced.</p> <p>Recommendation: All WC Program pay checks should be supported by approved time sheets.</p>	126	21	2	\$17,000	\$10,000	\$500	\$500

BB PROGRAM

CORPORATE BYLAWS

Condition: The Board of Directors current Composition and Bylaws do not fully meet the requirements for the OIGFB 501 c 309

Criteria: The OIGFB laws require that the composition and selection of members be in accordance with the requirements of OIGFB 501 c 309

Effect: Failure of the governing board to meet the OIGFB laws requirements, could result in grant termination.

Recommendation: The Board should take steps to follow all federal mandates of the OIGFB laws.

" " " " " " " "

* 100% effort required, no unaccountable or cost applicable

NATHELETCHER EQUIPMENT MEDICAL-CENTER, INC.
 METairie, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN COMPLIANCE
 WITH GENERAL AND SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAM
 TRANSACTIONS FOR THE FISCAL YEAR ENDING JANUARY 31, 1977

Category	Number of Items in Population	Number of Items Tested	Number of Items Not in Compliance	Dollar Amount of Disallowance	Dollar Amount Items Tested	Dollar Amount of Items Not in Compliance	Amount of Questioned Costs
WOC PROGRAM							
ATTESTED SIGNATURES							
Condition: Some of the checks drawn for the WOC Program did not contain (a)(2) authenticating signatures.	20	20	1	\$11,360	\$8,000	\$3,360	*
Criteria: All checks prepared in 1974 (a)(2) authentic signatures.							
Effect: Without the correct nature of authentic signatures, disallowance could be made without (a)(2)(B)(i) approval.							
Recommendation: All checks should have two (2) authentic signatures.							
PAY INVOICES							
Condition: There were instances where items of the invoices for the WOC Program could not be located.	10	10	10	\$400	\$4,000	\$3,600	\$4,000
Criteria: As per the grant contract, the application prepared in long format documents in this file as long as 1974.							
Effect: If a - 1, invoice could possibly have been located per instructions.							
Recommendation: It is recommended that all invoices be kept on file and checked with the authenticity of the check related to the invoice.							
Total							\$11,360

* Effect is either correct and allowable or not applicable.