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**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

FINANCIAL STATEMENTS

MARCH 31, 1988 AND 1997

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Release Date 12-21-98



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LOUISIANA

1998-1999
Annual Financial Statements
March 31, 1998 and 1999

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 1998 AND 1999



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

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AN INDEPENDENT ACCOUNTING FIRM
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**
Covington, Louisiana

We have audited the accompanying financial statements of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA**, component unit of the Ascension Parish Council, as of and for the years ended **MARCH 31, 1998** and **1997**, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA** as of March 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 1998 on our examination of **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT'S** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Donald Netterville
July 30, 1998

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Georgina, Louisiana

BALANCE SHEETS
MARCH 31, 1998 AND 1997

ASSETS	<u>1998</u>	<u>1997</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 732,867	\$ 116,934
Certificates of deposit and investments	-	1,500,000
Patient accounts receivable, less of estimated uncollectibles of \$1,633,332 in 1998, and \$1,717,586 in 1997	2,257,681	1,749,828
Inventory, at lower of cost (first-in, first-out) or market	222,609	307,252
Other current assets	15,588	294,252
Total current assets	<u>3,228,705</u>	<u>3,068,266</u>
ASSETS LIMITED AS TO USE		
Internally designated	6,393,641	7,983,263
Management fee receivable	414,185	576,828
	<u>6,807,826</u>	<u>8,560,091</u>
PROPERTY AND EQUIPMENT - net		
	<u>4,843,517</u>	<u>5,417,035</u>
Total assets	<u>\$ 14,879,099</u>	<u>\$ 17,077,712</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 847,042	\$ 689,809
Accrued expenses	397,515	433,444
Estimated third-party payer settlements	1,618,662	794,396
Total current liabilities	<u>2,863,219</u>	<u>1,917,649</u>
FUND BALANCE		
Unrestricted	<u>12,114,880</u>	<u>15,059,867</u>
Total liabilities and fund balance	<u>\$ 14,879,099</u>	<u>\$ 17,077,712</u>

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Gretna, Louisiana

STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
REVENUE		
Net patient service revenue	\$ 5,807,065	\$ 15,887,647
Other revenue	141,632	97,513
Total revenue	<u>5,948,697</u>	<u>16,085,160</u>
EXPENSES		
Salaries	5,492,265	8,386,777
Employee benefits	901,519	1,531,613
Rent/lease	793,250	386,707
Medical and other supplies	847,176	1,791,947
Professional auxiliary	2,083,438	3,489,321
Contract fees	1,483,236	1,809,636
Professional fees	80,872	86,346
Physician fees	793,118	867,653
Provision for uncollectible accounts	147,846	593,524
Travel	25,555	43,189
Insurance	288,009	238,180
Utilities	287,181	448,352
Other	483,841	462,185
Depreciation expense	543,098	927,197
Total expenses	<u>17,749,625</u>	<u>30,836,287</u>
OPERATING LOSS	<u>(11,800,928)</u>	<u>(14,751,127)</u>
NONOPERATING INCOME		
Income on investments limited as to use		
By agreements with third party payors for bonded depreciation	365,384	405,863
Under bond agreements - tax revenues	1,099	2,814
Other investment income	48,902	545,238
Total nonoperating income	<u>415,385</u>	<u>953,915</u>
Revenue and gain in excess (deficit) of expenses	\$ (11,385,543)	\$ (13,797,212)

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
DE ASCENSION PARISH, LOUISIANA

Gretna, Louisiana

STATEMENTS OF CHANGES IN FUND BALANCES
YEARS ENDED MARCH 31, 1988 AND 1987

	<u>Unrestricted</u>
BALANCE, March 31, 1986	\$ 39,778,857
Revenue and gains in excess (deficit) of expenses	<u>14,130,890</u>
BALANCE, March 31, 1987	15,609,867
Revenue and gains in excess (deficit) of expenses	<u>(2,524,987)</u>
BALANCE, March 31, 1988	<u>\$ 13,114,880</u>

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Lacombe, Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
AND GAINS		
Cash received from patients and other third-party payers	\$ 9,902,834	\$ 9,033,668
Cash paid to employees and suppliers	(12,899,044)	(18,224,118)
Office receipts from operations	142,791	394,368
Interest received	204,469	351,419
Net cash used in operating activities and gains	(2,315,039)	(8,104,672)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(78,931)	(84,829)
Maturities of certificates of deposit and investments	1,908,880	2,480,000
Cash invested in assets whose use is limited	1,221,932	(220,854)
Net cash provided by investing activities	2,051,881	2,174,317
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	818,913	(2,170,354)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	116,834	2,247,388
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 935,747	\$ 37,034

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Terrebonne, Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDING MARCH 31, 1998 AND 1997

	1998	1997
RECONCILIATION OF REVENUE AND GAINS IN EXCESS (DEFICIT) OF EXPENSES PROVIDED BY OPERATING ACTIVITIES AND GAINS		
Revenue and gains in excess (deficit) of expenses	\$ (3,374,987)	\$ (4,100,698)
Adjustments to reconcile revenue and gains in excess (deficit) of expenses to net cash used in operating activities and gains:		
Depreciation	540,898	597,197
Loss on disposition of assets	1,411	-
Provision for uncollectible accounts	147,844	593,524
Changes in operating assets and liabilities:		
Patient accounts in receivables	(653,895)	418,736
Management fee receivable	(77,278)	1,258,154
Estimated third-party payer settlements	896,868	(9,811,456)
Inventory	34,703	45,728
Other current assets	183,654	(43,262)
Accounts payable	157,257	874,835
Accrued expenses payable	(25,029)	(143,802)
	<u>\$ (2,335,029)</u>	<u>\$ (9,124,670)</u>
Net cash used in operating activities and gains		

The accompanying notes are an integral part of these statements.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Ascension Parish Hospital Service District, d/b/a Ascension Hospital (the Hospital) is a not-for-profit acute-care hospital with emphasis on being a long-term care hospital. The Hospital was approved by the Ascension Parish Police Jury, and is a political subdivision organized under the State of Louisiana laws. The Hospital has a Board of Commissioners who are appointed by the Parish Council, formerly known as the Police Jury.

Basis of Presentation

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant provisions of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

Reporting Entity

As the governing authority of the parish, for reporting purposes, the Ascension Parish Council is the financial reporting entity for Ascension Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Ascension Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority, but are fiscally dependent on the council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

Because the council appoints all members to the Hospital's Board of Commissioners, the Hospital was determined to be a component unit of the Ascension Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Investments and Investment Income

Financial investments are reported at fair value at the date of receipt, which is then treated as cost. Investment income from all general fund investments are reported as nonoperating income.

Statement of Revenue and Expense of General Funds

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating income.

Assets Limited As to Use

Assets limited as to use may include assets set aside by the Board of Commissioners for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets set aside in accordance with agreements with third-party payers.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are recorded as additions at fair value at the date of receipt as a liability in the general fund balance when the assets are placed in service.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The buildings and improvements are being depreciated over 25 to 50 years, land improvements over 20 years, and equipment over 5 to 10 years. Maintenance and repairs are charged to expense, and improvements are capitalized. Gains and losses from sales or retirements are recognized in the period of disposition.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including amounts whose use is limited by board designation, other arrangements under loan agreements, or with third-party prors.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Risk Management

The Hospital is exposed to various risks of loss related to acts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits.

The Hospital is a member of a separate trust fund established by the Louisiana Hospital Association that recomposes self insurance of statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Terrebonne, Louisiana**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management (continued)

The Hospital is self-insured for employee medical benefits. The estimated annual risk retention per covered employee is \$45,000. The Hospital has purchased commercial insurance, subject to a maximum limit per covered employee of \$95,000 for claims in excess of \$25,000. In addition, the Hospital's coverage includes an aggregate stop-loss provision that limits its liability for a plan year to \$1,000,000. Amounts payable to the plan are based on estimates of the amounts necessary to pay prior and current-year claims. A liability for claims is established if information indicates that it is probable that a liability has been incurred as the date of the financial statements and the amount is reasonably estimable. The amount of that liability at March 31, 1998 and 1997 is \$58,000 and \$92,000, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

Under state law, the Hospital may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Hospital had cash and cash equivalents (bank balances) totaling \$752,807 and \$136,854 at March 31, 1998 and 1997, respectively.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

At March 31, 1998, the Hospital had \$8,877,846 in deposits (collected bank balances). These deposits were fully covered from risk by \$700,325 of federal deposit insurance and \$6,454,567 of pledged securities held by the custodial bank, but not in the name of the Hospital (CASH Category 3).



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS (continued)

Included in cash and cash equivalents on the balance sheet at March 31, 1998 and 1997, are the following:

	1998	1997
Cash on hand	\$ 1,006	\$ 798
Demanded deposits	208,994	136,174
Repurchase agreement	512,787	-
	<u>\$ 722,787</u>	<u>\$ 136,972</u>

3. NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Due to uncertainties in the settlement process with third-party payors, however, it is at least reasonably possible that management's estimate of its outcome will change during the next year. That amount cannot be estimated. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Hospital is exempt from the Prospective Payment system, which is based on clinical, diagnostic, and other factors. As such, inpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology subject to a TIERA limitation. The reimbursement is the lesser of cost or a set rate per discharge along with additional payments for capital pass through costs and approved adjustments for length of stay variations. Most hospital outpatient services are reimbursed on a cost basis subject to a lesser of cost or charges limitation. Exceptions to this are Laboratory, Radiology and Ambulatory Surgical Services which are reimbursed on a fixed fee schedule or a blend of cost and fixed fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through March 31, 1998, at the date of this report.

Medicaid

The Hospital is reimbursed for inpatient services to Medicaid beneficiaries on a Prospective Payment System. Outpatient services to Medicaid beneficiaries are reimbursed on a cost basis, subject to a lesser of cost or charges limitation, except for Laboratory and outpatient surgery which are reimbursed according to a fee schedule. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 1998 at the date of this report.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

3. NET PATIENT SERVICE REVENUES (continued)

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

4. ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at March 31, 1998 and 1997, is set forth in the following table. Investments are stated at cost which approximates market value.

	1998	1997
Internally designated:		
Cash and cash equivalents	\$ 90	\$ 8,239
Certificates of deposit	6,583,548	7,691,328
	\$ 6,583,638	\$ 7,699,567

5. INVESTMENTS

The Hospital's investments include certificates of deposit, and a repurchase agreement at March 31, 1998 and 1997. These investments are classified on the balance sheet as follows:

	1998		1997	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Amount included in cash and cash equivalents				
Repurchase Agreements				
Securities held by the Hospital's agent but not in the Hospital's name	\$ 512,797	\$ 512,797	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____
Amount included in certificates of deposit and investments				
Certificates of Deposit	\$ _____	\$ _____	\$ 1,508,080	\$ 1,508,080



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 1998 and 1997, follows:

	1998	1997
Land	\$ 79,080	\$ 79,080
Land improvements	92,821	92,581
Buildings and improvements	8,267,297	8,256,174
Equipment	5,318,737	5,175,030
	13,658,935	13,598,865
Less: accumulated depreciation	8,315,268	8,173,640
Property and equipment, - net	\$ 5,343,667	\$ 5,417,125

7. CONCENTRATIONS OF CREDIT RISK

The main campus of the Hospital is located in Covington, with additional units located in Baton Rouge and Kennerwood, Louisiana. The Hospital grants credit without personal collateral to its patients, most of whom are Louisiana residents. Revenue from patients and third-party payers were as follows:

	1998	1997
Medicare	48.0%	42.6%
Medicaid	32.9%	34.2%
Commercial Insurance	25.7%	19.7%
Private Pay	1.4%	3.5%
	100.0%	100.0%



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Grenada, Louisiana**

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS

Leases that do not meet criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under these arrangements as of March 31, 1998, that have initial or remaining terms in excess of one year:

Year Ending March 31,	Minimum Payments
1999	\$ 248,233
2000	12,039
2001	3,642
	<u>\$ 263,914</u>

9. MANAGEMENT AGREEMENT

The Hospital is managed by a consulting firm under an agreement commencing on January 1997 and terminating on March 31, 2004. The management fee for the period of January 1, 1997 to June 30, 1997 was \$140,800 per month. An amendment to the management agreement reduced the monthly management fee to \$177,080 effective July 1, 1997. For the agreement, the fee for each subsequent period, commencing April 1, 1998, will be the fee for the immediate preceding year multiplied by an agreed-upon index figure. The expense incurred under the contract was approximately \$1,400,000 and \$1,518,080 for 1998 and 1997, respectively.

From January 1, 1997, the agreement called for a month-to-month arrangement, whereby the fixed monthly payment was \$15,080. In addition, the agreement called for monthly payments covering payroll and related costs, as well as the consulting firm receiving 25% of the Hospital's annual profit.

10. REGULATORY MATTERS

As discussed in Note 9, the Hospital has a management contract with an unrelated consulting firm. The results of an audit covering fiscal years 1992 - 1994 by the Medicare intermediary resulted in the disallowance of a significant portion of the management fees paid to the consulting firm during these years. The amount owed back to Medicare for fiscal years 1992 - 1994 was \$3,380,311, which was paid during the year ended March 31, 1995. This amount was reflected as a decrease to revenue during the year ended March 31, 1996.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
General, Louisiana**

NOTE TO FINANCIAL STATEMENTS

10. REGULATORY MATTERS (continued)

Additionally, management recalculated Medicaid cost reports and disproportionate share amounts for three years plus all third-party payer amounts for fiscal year 1998, in anticipation of similar adjustments to those cost reports. The total of these adjustments and the effect of any Medicare receivables that may have previously been recorded but will not be received due to the circumstances discussed in the preceding paragraph, resulted in a decrease to revenue of approximately \$30,185,000 during the year ended March 31, 1998.

Management and the Board of Commissioners have appealed the Medicare intermediary's decision regarding the disallowance of the management fee expense, and intend to vigorously defend its position on all other questioned cost reports.

11. SUBSEQUENT EVENTS

Subsequent to year end, the Hospital approved a contract in the amount of \$290,000 for renovations to the Hospital for a psychiatric unit.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS

Board of Commissioners

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT

OF ASCENSION PARISH, LOUISIANA

Gretnot, Louisiana

We have audited the financial statements of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA**, component unit of the Ascension Parish Council, as of and for the year ended March 31, 1998 and 1997 and have issued our report thereon dated July 30, 1998. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Hospital, in a separate letter dated July 30, 1998.

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

Pastelthwaite & Netterville

Bozemanville, Louisiana

July 30, 1998

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 1998**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unqualified opinion of the financial statements of East Ascension Parish Hospital Service District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of East Ascension Parish Hospital Service District were disclosed during the audit.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 1998**

A. INTERNAL CONTROL AND COMPLIANCE IMMATERIAL TO THE FINANCIAL STATEMENTS

1. Asset purchases

Condition: The Hospital did not comply with the following requirements of LRS 38:2217 A(1)(a) and B(1):

- a. Purchases of five thousand dollars or more, but less than ten thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations.
- b. Notice of public emergency declared shall, within ten days thereof, be published in the official journal of the public entity proposing or declaring such public emergency.

Recommendation: The auditor recommended that the Hospital comply with the above listed requirements regarding asset purchases in the future.

Current Status: The thresholds requiring price quotations has increased in purchases in excess of seventy-five hundred dollars but less than \$100,000 thousand dollars. No similar findings were noted in the March 31, 1999 audit.



CORRECTIVE ACTION PLAN

September 17, 1998

Louisiana Legislative Auditors Office
Baton Rouge, Louisiana

East Ascension Parish Hospital Service District respectfully submitted the following corrective action plan for the year ended March 31, 1998.

Name and address of independent public account firm: Postlewaite & Noteroville, APAC
P.O. Box 1190
Denham Springs, LA 70026

Audit period: April 1, 1997 through March 31, 1998

The findings from the July 30, 1998 management letter are discussed below.

A. Fixed Assets

- Recommendation:** Assets that have been sold, scrapped, or are no longer in use should be removed from the fixed asset listing. In addition, the schedule should be updated to reflect the proper location of each asset.
- Action Taken:** The staff has already begun to identify and categorize the fixed assets that are no longer used and also the assets that are no longer in use. We will adjust the balances sheet accordingly when a full inventory is complete. This will take a few months to complete and will be done by the audit year of 1999.

B. Inventory

- Recommendation:** Department personnel who are responsible for preparing inventory records should obtain the correct price from the most current invoice for March 31, 1998. Furthermore, accurate quantities of inventory items should be included on all copies of inventory records.
- Action Taken:** The department manager responsible for the final inventory figures have been advised that a more thorough count and pricing method must be used in the completion of these inventory figures. They will be monitored more closely in the future.

C. Billing Errors

Recommendation: The Hospital should review the controls for the offices regarding charge codes and billing information. Action should be taken to ensure that all charges to patients are accurate and charges related to charge codes are correct.

Action Taken: Please see the attached paragraph that is being followed by our personnel in the pricing of items at our Baton Rouge Campus.

If the Louisiana Legislative Auditors Office has questions regarding this plan, please call Michael Nolan at 621-1241.

Sincerely,



Michael J. Nolan
Chief Executive Officer

Ascension Hospital - Baton Rouge Internal Review of Daily Download of Charges from BR/CMC

The download is received via computer and is copied to a 3.5 inch diskette. A hardcopy of the data is also received and the diskette is checked to verify the number of transactions compared to the hard copy. Invalid Service Codes with Miscellaneous Descriptions are defined and handwritten on the hardcopy for input by data processing in Geacdata.

The diskette is then downloaded to the Ascension mainframe via modem. A printout is made detailing the charges to be applied to Ascension patient accounts. The printout totals and the computer batch totals are verified prior to actual computer posting procedures. Corrections are normally made prior to posting.

The hardcopy of the data is then copied for review by the Ascension Hospital - Baton Rouge on-site Administration and Nursing Coordinator. Additionally, a copy is forwarded to the pharmacy director in Geacdata for his review. The original hardcopy of data and the printout of data posted to the Ascension mainframe is then sent to the Data Processing Department for manual entry of invalid service code charges, recheck of data entered in Baton Rouge and storage of hardcopy and printout.