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STATE OF LOUISIANA  
DEPARTMENT OF REVENUE  
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**NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.**  
**NATCHITOCHEES, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AND**  
**AUDITORS' REPORTS**  
**FOR THE FISCAL YEAR ENDED**  
**JANUARY 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date ~~2/17/98~~ 7-0-83

NATCHITOCHE'S OUTPATIENT MEDICAL CENTER, INC.  
NATCHITOCHE'S, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

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### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Natchitoches Out-Patient Medical Center, Inc.  
Natchitoches, Louisiana

We have audited the accompanying statement of financial position of Natchitoches Out-Patient Medical Center, Inc. (a nonprofit organization) as of January 31, 1998, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

Detailed property and equipment records were not reconcilable to control accounts and we were unable to confirm for property and equipment amount of \$2,515,739 or to determine the amount through alternative procedures. Therefore, we were not able to satisfy ourselves about the amounts at which property and equipment and the related accumulated depreciation are recorded in the accompanying statement of financial position at January 31, 1998 and depreciation expense in the accompanying statement of revenues, expenses, and changes in net assets for the year then ended.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material aspects, the financial position of Natchitoches Out-Patient Medical Center, Inc. as of January 31, 1998, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Certified Public Accountants  
May 27, 1998

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

**STATEMENT OF FINANCIAL POSITION**  
**JANUARY 31, 1988**

	<u>Unrestricted</u> <u>General</u> <u>Fund</u>	<u>Temporarily</u> <u>Restricted</u> <u>W/C</u> <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 62,580	\$22,342	\$ 84,922
Grants receivable		9,317	9,317
Patient Accounts receivable (net of estimated uncollectible amount of \$1,896)	191,961		191,961
Other Receivables	311,252		311,252
Due from W/C fund	61,824		61,824
Property and equipment Net of accumulated depreciation	<u>1,621,028</u>	<u>—</u>	<u>1,621,028</u>
<b>Total Assets</b>	<b><u>\$2,258,652</u></b>	<b><u>\$22,342</u></b>	<b><u>\$2,280,994</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable	\$ 148,314		\$ 148,314
Account payable	38,849	\$ 1,210	40,059
Payroll taxes and withholding	46,147		46,147
Due to general fund		61,824	61,824
Accrued interest payable	14,733		14,733
Notes Payable	244,141		244,141
Capital leases payable	<u>458,738</u>	<u>—</u>	<u>458,738</u>
<b>Total Liabilities</b>	<b>890,922</b>	<b>62,377</b>	<b>1,003,297</b>
<b>NET ASSETS</b>			
Unrestricted	1,276,698		1,276,698
Temporarily Restricted	<u>—</u>	<u>(38,318)</u>	<u>(38,318)</u>
<b>Total net assets</b>	<b>1,276,698</b>	<b>(38,318)</b>	<b>1,240,688</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$2,228,620</u></b>	<b><u>\$22,342</u></b>	<b><u>\$2,250,962</u></b>

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, 1978**

	<u>Unrestricted General</u>	<u>Temporarily Restricted MHC</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<b>REVENUES AND OTHER SUPPORT</b>			
Patient Service Revenue (net of contractual allowances)	\$1,256,177		\$1,256,177
FEE (Net JFH) Grant	1,877,043		1,877,043
MHC Grants		\$114,814	114,814
Third party cost reimbursement	148,870		148,870
Miscellaneous	3,212		3,212
Interest	188		188
Total revenues and other support	<u>3,284,479</u>	<u>114,814</u>	<u>3,399,293</u>
<b>EXPENSES</b>			
Salaries	1,198,818	112,177	1,310,995
Payroll taxes	109,632	9,721	119,353
Workman's compensation	9,825		9,825
Fringe benefits	38,188		38,188
Continuing Education	17,848		17,848
Office supplies and expense	31,414	2,882	34,296
Medical drugs & supplies	218,264	1,248	219,512
Construction services	212,582	16,188	228,770
Depreciation	99,286		99,286
Books and subscriptions	26,810	33	26,843
Rent expense	42,648	15,149	57,797
Repairs and maintenance	43,624	223	43,847
Insurance	88,521		88,521
Accounting	49,780		49,780
Interest	81,732		81,732
Bad debt expense	88,914		88,914
Meals	1,188	147	1,335
Miscellaneous	8,138	1,173	9,311
Recruiting	4,864		4,864
Travel	26,771	7,982	34,753
Utilities and telephone	112,888		112,888
Other items	29,295		29,295
Medical billing	24,887		24,887
Total Expenses	<u>2,867,121</u>	<u>188,612</u>	<u>3,055,733</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>188,247</b>	<b>(73,800)</b>	<b>114,447</b>
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<b>1,200,640</b>	<b>73,688</b>	<b>1,274,328</b>
<b>FROM PERIOD ADJUSTMENTS</b>	<b>(112,888)</b>	<b>—</b>	<b>(112,888)</b>
<b>NET ASSETS, END OF PERIOD</b>	<b>\$1,087,752</b>	<b>\$73,118</b>	<b>\$1,160,870</b>

See Accompanying Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS  
JANUARY 31, 1998**

	<u>Unrestricted General Fund</u>	<u>Temporarily Restricted NIC Fund</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Increase/(Decrease) in net assets	\$188,347	\$ 155,858	\$ 344,205
Adjustments to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by Operations:			
Depreciation	99,096		99,096
A Allowance for bad debt	88,914		88,914
(Decrease)/Increase in Operating Assets:			
Prepays	34,718		34,718
Accounts Receivables	(140,348)	9,811	(130,537)
Due from Other Funds	(60,824)		(60,824)
Increase/(Decrease) in Operating Liabilities:			
Accounts Payable	(2,344)		(2,344)
Accrued Payroll	9,871	(888)	7,983
Payroll taxes and withholding	(19,873)		(19,873)
Due to State Agencies	(74,174)		(74,174)
Due to Other Funds		61,004	61,004
Accrued interest payable	14,715		14,715
Net Cash from Operating Activities	<u>120,518</u>	<u>16,007</u>	<u>136,525</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Equipment	<u>(12,418)</u>	_____	<u>(12,418)</u>
Net Cash from Investing Activities	<u>(12,418)</u>	_____	<u>(12,418)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan Proceeds - Note Payable	257,259		257,259
Loan Proceeds - Line of Credit	9,580		9,580
Principal payments on Note Payable	(948,377)		(948,377)
Principal payments on Line of Credit	(111,894)		(111,894)
Principal payments on Capital Lease	(144,982)		(144,982)
Net Cash Flows from Financing Activities	<u>(837,318)</u>	_____	<u>(837,318)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(72,718)</u>	<u>16,007</u>	<u>(56,711)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>81,622</u>	<u>9,315</u>	<u>90,937</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 8,904</u>	<u>\$ 25,322</u>	<u>\$ 34,226</u>

Supplemental Disclosure:  
Cash Paid for Interest

\$ 18,711

See Accompanying Notes to Financial Statements.

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.  
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

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, civility 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, Laplace and Natchitoches. The services are provided through outpatient clinics with a referral program, health education, and limited medical services for hospitalizations.

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 voted 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.

NATCHITOCHES OUTPATIENT MEDICAL CENTER, INC.  
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

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

During the year ended January 31, 1998, 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 each fund is determined by the Department of Health and Human Services.

**(B)**      **REPORTING ENTITY**

The accompanying financial statements of the Clinic present the financial position and changes in net assets 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, 1988

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Temporarily Restricted**

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

**(B) 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.

**(C) 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 - 12 years

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

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

**(D) COMPENSATED ABSENCES**

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

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.  
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) TOTAL COLUMN

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).

**NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.**  
Natchitoches, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JANUARY 31, 1998**

**NOTE 2 CASH**

All deposits were held in local banks and insured by the FDIC and secured by a pledge of securities owned by the local agent bank on January 31, 1998, as follows:

Total deposits	\$ 123,851
Total covered by FDIC insurance	\$ 118,622
Total uncollateralized (collateralized securities held by the pledging institution or agent but not in the name of Natchitoches Out-Patient Medical Center, Inc.)	485,103
	<u>\$ 323,723</u>

**NOTE 3 PROPERTY AND EQUIPMENT**

A summary of property and equipment and accumulated depreciation at January 31, 1998, is provided:

	Property and Equipment			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 118,800			\$ 118,800
Building	1,597,820			1,597,820
Furniture & Equip.	763,250	838,419		1,601,669
Vehicles	14,250			14,250
Totals	<u>\$2,483,920</u>	<u>\$838,419</u>	<u>      </u>	<u>\$3,315,719</u>

	Accumulated Depreciation			
	Beginning Balance	Additions	Disposals	Ending Balance
Building	\$ 161,077	833,281		\$ 994,358
Furniture & Equip.	621,682	43,483		665,165
Vehicles	1,125	1,660		2,785
Totals	<u>\$ 783,884</u>	<u>\$878,424</u>	<u>      </u>	<u>\$ 1,662,308</u>

NATCHITOCHEUS OUTPATIENT MEDICAL CENTER, INC.  
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

**NOTE 4 OTHER RECEIVABLES**

Other receivables at January 31, 1998, consisted of the following:

Third party cost reimbursement	\$ 495,085
Lease Allowance for disputed cost	<u>(172,751)</u>
Total	<u>\$ 322,334</u>

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, 1998, amounts due from Medicare and Medicaid (both intermediaries) were \$20,113 and \$474,000 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.

**NOTE 5 BOARD OF DIRECTORS**

Each of the following directors served the Clinic without compensation:

Mr. Tony Walker	President
Mr. Oliver Simon	Vice President
Ms. Marylene Johnson	Secretary
Ms. Diane Jones	Treasurer
Mr. Justice Mahard	
Mr. Huey Dally	
Ms. Rosie Humphrey	
Ms. Luc Kennedy	
Mr. James Calhoun	
Ms. Sylvia LaCour	
Mr. Dennis McOmley	
Ms. Mary Long	
Ms. Bobby McInnis	
Ms. Wanda Eddy	

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.  
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

**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.

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 officer in an approved budget or 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.

**Grantee Agencies**

Amounts received from grantee 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.

NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.  
Natchitoches, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

NOTE 6 CONTINGENCIES (continued)

Capital Lease

The Clinic was in default on the Chemistry Analyzer lease as of January 31, 1998. The last monthly payment made was in late of 1997. The company that the Clinic signed the lease with, Anderson Pacelco Group, assigned its rights to First Texas Bank. On January 22, 1998, First Texas Bank filed a motion for judgment against the Clinic for breach of contract. The motion for judgment states that First Texas Bank demands judgment against the Clinic in the amount of \$48,291.71 plus interest at the daily rate of 32.9732% from December 4, 1997 until paid, plus the costs of this motion for judgment, plus attorney's fees of 35.15% of the total amount due. The lease balance is recorded in these financial statements.

NOTE 7 CAPITAL LEASES

The Clinic leases equipment and a modular building at the Tallulah site. Because the leases contain a buy-out 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, 1998 is as follows:

Modular Building	\$756,190
Phone System	12,798
Chemistry Analyzer	97,248

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, 1998:

YEAR ENDING JANUARY 31,	
1999	\$228,718
2000	162,186
2001	<u>186,651</u>
Total Minimum lease payments	557,685
Less - Amount representing interest	<u>(178,347)</u>
Present Value of Minimum lease payments	<u>379,338</u>

**NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.**  
Natchitoches, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JANUARY 31, 1998**

**NOTE 8 OPERATING LEASES**

The Clinic provides health services in leased facilities located in Leesville and Leesport, Louisiana. The facilities are leased from two unrelated parties. The prior Leesville lease, which was a one year lease, was completed in October of 1997. The new Leesville lease is a one year lease, which begins in November of 1997. The Leesport lease is a one year lease renewable by written notice. Rental expense for these leases was \$35,573 for the year ended January 31, 1998.

**NOTE 9 NOTES PAYABLE**

The notes payable obligations of the Clinic at January 31, 1998 are as follows:

\$ .50%, two year note payable with the Exchange Bank and Trust Co., payments of \$3,200 are due on the third of each month beginning in July of 1997. The principal balance at January 31, 1998 is \$244,147.

**NOTE 10 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	\$ 312,898
Medicaid	578,894
Sliding Fee	905,834
Other	88,325
Less contractual adjustment	<u>(580,094)</u>
	<u>\$ 1,205,857</u>

**NOTE 11 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 at year end are subject to audit and adjustment by intermediaries, in particular, United Government Services and Tri-Span.

**NATCHITOCHEES OUTPATIENT MEDICAL CENTER, INC.**  
**Natchitoches, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JANUARY 31, 1998**

**NOTE 12 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, 1997:

<b>Net Assets</b>	
As previously reported	\$1,224,290
Correction	<u>(112,951)</u>
As adjusted	<u>\$1,111,339</u>

**NOTE 13 FUNCTIONAL EXPENSE CLASSIFICATION**

In accordance with (FASB) NO. 117, the following table depicts all the expenses for the year ended January 31, 1998 in their functional categories.

	<u>GENERAL</u> <u>—FUND—</u>	<u>SPC</u> <u>—FUND</u>	<u>TOTAL</u>
Program Services	\$1,540,542	\$ 91,460	\$1,632,002
Administrative	<u>142,154</u>	<u>76,222</u>	<u>218,376</u>
	<u>\$1,682,696</u>	<u>\$167,682</u>	<u>\$1,850,378</u>

**NOTE 14 PATIENT ACCOUNTS RECEIVABLE**

Accounts receivable at January 31, 1998 consisted of the following:

Medicare	\$ 28,297
Sliding Fee	60,819
Medicaid	21,947
Private Insurance	40,204
Less: Allowance for Uncollectibles	<u>(41,659)</u>
Total	<u>\$140,608</u>



## **SINGLE AUDIT REPORTS**



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## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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

Natchitoches Out-Patient Medical Center, Inc.  
Natchitoches, Louisiana

We have audited the financial statements of the Natchitoches Out-Patient Medical Center, Inc. as of and for the year ended January 31, 1998, and have issued our report thereon dated May 27, 1998. 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.

#### Compliance

As part of obtaining reasonable assurance about whether the Natchitoches Out-Patient Medical Center, Inc.'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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned costs as items 98-1 and 98-2.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Natchitoches Out-Patient Medical Center, Inc.'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Natchitoches Out-Patient Medical Center, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial

statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Items 98-3, 98-4 and 98-5.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that some of the reportable conditions described above are material weaknesses.

This report is intended for the information of the Natchitoches Out-Patient Medical Center, Inc.'s management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Dawson, Beall & Dobrevic, CPA's, APC  
Certified Public Accountants  
May 27, 1998



MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
SOCIETY OF MASSACHUSETTS  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Natchitoches Out-Patient Medical Center, Inc.  
Alexandria, LA.

#### Compliance

We have audited the compliance of the Natchitoches Out-Patient Medical Center, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended January 31, 1998. The Natchitoches Out-Patient Medical Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Natchitoches Out-Patient Medical Center, Inc.'s management. Our responsibility is to express an opinion on the Natchitoches Out-Patient Medical Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Auditor of States, Local Government, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Natchitoches Out-Patient Medical Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Natchitoches Out-Patient Medical Center, Inc.'s compliance with those requirements.

In our opinion, the Natchitoches Out-Patient Medical Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended January 31, 1998.

## Internal Control Over Compliance

The management of the Matchless Out-Patient Medical Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Matchless Out-Patient Medical Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, would adversely affect the Matchless Out-Patient Medical Center, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1 and 98-5.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

This report is intended for the information of the Matchless Out-Patient Medical Center, Inc.'s management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Duane Beall & Debeson, CPAs, APC  
Certified Public Accountants  
May 27, 1998

**NATCHITOCHEE OUT-PATIENT MEDICAL CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JANUARY 31, 1988**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes _____ <u>no</u>
Reportable condition(s) identified not considered to be material weaknesses?	_____ <u>yes</u> _____ none reported
Noncompliance material to financial statements noted?	_____ yes _____ <u>no</u>

**Other Issues**

Internal control over major programs:	
Material weakness(es) identified?	_____ yes _____ <u>no</u>
Reportable condition(s) identified not considered to be material weaknesses?	_____ <u>yes</u> _____ no
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-113, Section 3100(a)?	_____ <u>yes</u> _____ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224	Community Health Center Rural Health Initiative Grant (RHI)
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 100,000
Audits qualified as low-risk audits?	yes <u>  </u> no <u>  </u>

**Section II - Financial Statement Findings**

*Reportable Conditions*

**98-2 CONTRACT VIOLATIONS**

**Condition:** We noted that the organization was in default under one of their capital leases and delinquent on another.

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

**Questioned Costs:** None

**Effect:** Defaulting on contract obligations will impair the organization's ability to obtain credit.

**Recommendation:** We recommended that the organization adhere to all requirements under contractual agreement.

**98-3 ACCOUNTS RECEIVABLE**

**Condition:** The accounts receivable subsidiary journal did not agree to the general ledger.

**Criteria:** In accordance with OMB Circular A-103, the financial management system should provide for current and accurate disclosure of the financial activities.

**Questioned Costs:** None

**Effect:** The organization was not able to properly analyze their financial position and funds due the organizations may not be collected.

**Recommendation:** We recommend that the organization develop procedures to ensure that the accounts receivable subsidiary ledger agrees to the general ledger.

#### 98-4 MEDICAL SUPPLIES INVENTORY

**Condition:** The organization does not assign costs to the medical supplies inventory.

**Criteria:** Generally Accepted Accounting Principles require that inventory be disclosed in the financial statements at cost.

**Questioned Costs:** None

**Effect:** Assets are understated and expenses are overstated.

**Recommendation:** We recommend that the organization develop procedures to ensure that medical supplies are accurately recorded in the financial statements.

#### 98-5 PAYROLL AUTHORIZATION

**Federal Program:** Community Health Center Rural Health Initiative Grant. CFDA: 83.224

**Condition:** From February through June 1997, several of the employees did not have a current authorized payroll amount documented in their file.

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

**Questioned Costs:** None

**Effect:** Valid city employee's pay rates could not be performed.

**Recommendation:** We recommend that the organization develop procedures to ensure all employees authorized pay rates are documented.

### Section III - Federal Award Findings and Questioned Costs

#### Reportable Conditions

#### 98-1 SLIDING FEES

**Federal Program:** Community Health Center Rural Health Initiative Grant. CFDA: 83.224



**Conditions:** From February through June 1997, the Natchitoches Outpatient Medical Center, Inc., did not consistently obtain income verification from patients.

**Criteria:** The grant agreement requires that all eligible patients to provide verification of income to ensure they are being charged according to a sliding fee schedule.

**Questioned Costs:** None

**Effect:** The organization is not in compliance with the grant agreement.

**Recommendations:** We recommend that the organization develop procedures to ensure all patient income is verified and include the documentation in the patient file.

#### **98-5 PAYROLL AUTHORIZATION**

Refer to Section II - Financial Statement Findings for details.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1998**

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>FEDERAL FINANCIAL ASSISTANCE</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES, PUBLIC HEALTH SERVICE</b>			
Direct Assistance:			
Community Health Center Rural Health Initiative Grant (RHI)	81.224	CS8586-53-1-10	\$ 1,877,043
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
Passed through Louisiana Department of Health and Hospitals:			
Special Supplemental Food Program for Women, Infants and Children	16.817	WPA	280,162
<b>Total Federal Financial Assistance</b>			<b>\$ 2,157,205</b>

**Notes to Schedule:**

1. The organization follows the accrual basis of accounting in preparing this schedule. This method is consistent with the preparatory of the organization's financial statements.
2. The organization did not have any non-cash awards during the fiscal year.

## **Summary Schedule of Prior Audit Findings**

### **Auditor Reference**

#### **Accounts Receivable**

Corrected this fiscal year. The accounts receivable subsidiary ledger is being reconciled to the general ledger on a monthly basis.

#### **Fixed Assets**

Corrected this fiscal year. Revised procedures were developed to control the organizations assets and guidelines were detailed on which items are to be capitalized and which are to be expensed.

#### **Sliding Fees**

Corrected this fiscal year. Procedures were established and specific personnel identified to insure that financial statements are performed for all established and new patients and proper documentation of such is included in the patient file.

#### **Bank Reconciliations**

Corrected this fiscal year. All bank accounts are reconciled on a monthly basis and proper documentation is retained.

#### **Cost Reports**

Corrected this fiscal year. An outside firm was retained to file the cost reports by the appropriate due date.

#### **Results of Operations**

Corrected this fiscal year. The current financial position is compared to the budgeted position on a monthly basis to provide guidance to the future operations of the organization.

#### **Financial Statements**

Corrected this fiscal year. An outside firm was engaged to produce monthly financial statements.

#### **Property Tags**

Corrected this fiscal year. New financial and purchasing procedures were developed and implemented which insure that approved items purchased are affixed with property tags. These are then recorded in an asset inventory log.

#### **Asset Inventory Lists**

Corrected this fiscal year. Purchased assets are tagged and then recorded in an asset inventory log.

#### **Physical Inventories**

Corrected this fiscal year. Guidelines have been established to perform periodic inventories.

#### **Sales Tax**

Corrected this fiscal year. Determination has been made that the organization is obligated to pay sales tax on the lease in question.

#### **Lease Agreements**

Corrected this fiscal year. Copies of lease documents are maintained in the administrative office.

#### **Form 990 Tax Returns**

Corrected this fiscal year. Form 990 will now be filed on a timely basis.

#### **Purchasing System**

Corrected this fiscal year. The organization has established a central purchasing function to improve this process.

#### **Contract Violations**

Corrected this fiscal year. Procedures were implemented to insure that all lease payments are made timely.

#### **941 Payroll Tax Returns**

Corrected this fiscal year. An outside agency was engaged to process payroll and all payroll tax returns.

#### **Late Audit Report**

Corrected this fiscal year.

#### **Accounts Payable**

Corrected this fiscal year. Procedures were implemented to insure a monthly reconciliation of the accounts payable subsidiary ledger and the general ledger.

#### **Medical Supplies Inventory**

Corrected this fiscal year. Procedures were implemented to perform periodic inventories of all supplies.

#### **Sale of Assets**

Corrected this fiscal year. Procedures were implemented to formalize the bidding process for disposal of assets.

#### **State Unemployment Tax**

Corrected this fiscal year. An outside firm was engaged to produce the payroll and all appropriate tax returns.

#### **940 Payroll Tax Returns**

Corrected this fiscal year. An outside firm was engaged to produce the payroll and all appropriate tax returns.

**Employee W-2 Forms**

Corrected this fiscal year.

**WIC Reimbursement Reports**

Corrected this fiscal year. All pertinent reports and documents are maintained in the administrative office.

**WIC Disbursements**

Corrected this fiscal year. Procedures were implemented to insure that checks are made payable to a recipient and not to cash.

**WIC Expenditure Report**

Corrected this fiscal year.

**RHI Payroll Authorization**

Corrected this fiscal year.

**RHI Payroll Disbursements**

Corrected this fiscal year.

**WIC Payroll Authorization**

Corrected this fiscal year.

**WIC Payroll Disbursements**

Corrected this fiscal year.

**Patient Confidentiality Statements**

Corrected this fiscal year.

**Time Sheets**

Corrected this fiscal year. New procedures were developed and implemented that insure proper documentation is completed and authorized prior to processing the payroll.

**Corporate Bylaws**

New board members were recruited as specified by the bylaws. The bylaws were revised to assure compliance with 43CFR581a.304.

**Authorizing Signatures**

Corrected this fiscal year. Procedures were implemented to insure that all checks are properly signed by two individuals prior to disbursement.

**Paid Invoices**

Corrected this fiscal year. All pertinent documentation has been maintained on file in the administrative office.

## Corrective Action Plan

### Financial Statement Findings

#### Number

- 98-2 We will develop a checklist to monitor the payment of all lease obligations on a monthly basis. This will help to verify that all lease payments have been made properly and on a timely basis to prevent defaulting on the lease.
- 98-3 We will perform a monthly reconciliation of the subsidiary accounts receivable journal to the balance per the general ledger. This will provide a basis to insure the accuracy of the financial statements of the organization.
- 98-4 We will conduct semi-annual physical inventories to insure that the financial records properly reflect the value of the items we have in inventory. This will also serve as a monitor to prevent misappropriations of inventory.
- 98-5 The employee records have been reviewed to insure that there is proper documentation of the authorized pay level for each employee. This will serve as validation of the amount the employee is currently being paid through the payroll system.

### Federal Award Findings and Questioned Costs

- 98-1 Verification of income will be obtained on all eligible patients and such verification will become part of the patient file. Periodic internal reviews will insure that this procedure is being followed.

Name of Contact Person: James B. James, Chief Financial Officer

Date: August 1, 1998