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RAPIDES PRIMARY HEALTH CARE CENTER, INC.

ALEXANDRIA, LOUISIANA

FINANCIAL STATEMENTS

AND

AUDITORS' REPORTS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 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 JUN 30 1999

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
ALEXANDRIA, LOUISIANA**

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998**

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DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION
INDEPENDENT AUDITORS' REPORT

Board of Directors
Rapides Primary Health Care Center, Inc.
Alexandria, Louisiana

We were engaged to audit the Statement of Financial Position of Rapides Primary Health Care Center, Inc. as of September 30, 1998, 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 Rapides Primary Health Care Center, Inc.'s management.

Detailed accounts receivable records for the medical revenues and detailed property and equipment records were not reconcilable to control accounts and we were unable to confirm the beginning accounts receivable amount of _____ and the property and equipment amount of _____ or to determine the amounts through alternative procedures. Therefore, we were not able to satisfy ourselves about the amounts at which accounts receivable and the amounts at which property and equipment and the related accumulated depreciation are recorded in the accompanying Statement of Financial Position at September 30, 1998 and the amount of 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 1999, on our consideration of Rapides Primary Health Care Center, Inc.'s internal control structure and on its compliance with laws and regulations.

Certified Public Accountants
May 20, 1999

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
ALEXANDRIA, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 1998**

	<u>Unrestricted General Fund</u>
ASSETS	
Cash	\$ 3,062
Patient Accounts receivable (net of estimated uncollectible amount of \$6,947)	79,791
Prepaid	178
Property and equipment Net of accumulated depreciation	<u>1,127,538</u>
Total Assets	<u>\$ 1,210,569</u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 83,075
Payroll taxes and withholding	9,828
Accrued interest payable	12,048
Note Payable- Bank One	93,019
Notes Payable - Rapides Finance Authority	<u>130,999</u>
Total liabilities	<u>328,969</u>
NET ASSETS	
Unrestricted	<u>881,600</u>
Total net assets	<u>881,600</u>
Total Liabilities and Net Assets	<u>\$ 1,210,569</u>

See Accompanying Notes to Financial Statements.

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
ALEXANDRIA, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998**

	<u>Unrestricted General Fund</u>
REVENUES AND OTHER SUPPORT	
Patient Service Revenue (net of contractual allowances)	\$ 146,005
Community Outreach Grant	81,000
Donations	<u>1,565</u>
Total revenues and other support	<u>228,570</u>
EXPENSES	
Salaries	71,791
Payroll taxes	6,261
Office supplies and expense	11,177
Medical & supplies	6,545
Depreciation	33,486
Lease expense	2,317
Janitorial	4,012
Insurance	2,315
Legal and Professional services	137,458
Interest	24,277
Bad debt expense	1,542
Postage	394
Miscellaneous	5,566
Lawn care	1,896
Travel	2,718
Utilities and telephone	<u>12,012</u>
Total Expenses	<u>323,767</u>
INCREASE (DECREASE) IN NET ASSETS	(95,197)
NET ASSETS, BEGINNING OF PERIOD	<u>976,797</u>
NET ASSETS, END OF PERIOD	<u>\$ 881,600</u>

See Accompanying Notes to Financial Statements.

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
ALEXANDRIA, LOUISIANA**

**STATEMENT OF CASH FLOWS
SEPTEMBER 30, 1998**

	<u>Unrestricted General Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in net assets	\$ (95,197)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operations	
Depreciation	33,486
(Increase) Decrease in Operating Assets:	
Accounts Receivables	(2,287)
Other assets	(143)
Grants receivables	403,239
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	22,993
Payroll taxes and withholding	9,828
Accrued interest payable	<u>12,048</u>
Net Cash from Operating Activities	<u>383,967</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment and building materials	<u>(384,057)</u>
Net Cash from Investing Activities	<u>(384,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on Note Payable	(9,703)
Capital Lease reduction	<u>(8,520)</u>
Net Cash Flows from Financing Activities	<u>(18,223)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>21,375</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ <u>3,062</u>

Supplemental Disclosure:
Cash Paid for Interest \$ 12,229

See Accompanying Notes to Financial Statements.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) NATURE OF ACTIVITIES

Rapides Primary Health Care Center Inc., hereinafter referred to as the **Clinic**, was organized under the provisions of R.S. 1950, title 12, Chapter 2, 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 area served is Central Louisiana. The services are provided through an outpatient clinic with a referral program, health education, and limited medical services for hospitalization.

(B) REPORTING ENTITY

The accompanying financial statements of the **Clinic** presents the financial position and changes in net assets of the unrestricted 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.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, net assets are classified on the statement of financial position as unrestricted.

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.

(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 Board of Directors. Budget amendments and changes in State Grant Spending are allowed by prior approval from the Board of Directors.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
Alexandria, Louisiana

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) PROPERTY AND EQUIPMENT

Property and equipment are 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 as charged to operations currently.

(F) COMPENSATED ABSENCES

Rapides Primary Health Care Center's employee benefits for vacation and sick pay do not vest. Accordingly, no amounts are recorded in the financial statements.

(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.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 190(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 September 30, 1998, the Rapides Primary Health Care Center, Inc. has cash and cash equivalents (book balances) totaling \$3,062 as follows:

Petty Cash	\$ 5
Demand deposits	<u>3,057</u>
Total	<u>\$ 3,062</u>

These deposits are stated at cost, which approximates market.

At September 30, 1998, the **Clinic** has \$3,057 in deposits (collected bank balances). These deposits are secured from risk by \$3,057 of federal deposit insurance.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation at September 30, 1998, is provided:

	Property and Equipment			Ending Balance
	Beginning Balance	Additions	Disposals	
Land	\$ 28,039			\$ 28,039
Building	625,495	\$ 383,057		1,008,552
Furniture & Equip.	<u>164,451</u>	<u>1,000</u>		<u>165,451</u>
Totals	<u>\$ 817,985</u>	<u>\$ 384,057</u>	<u>\$ -0-</u>	<u>\$ 1,202,042</u>

	Accumulated Depreciation			Ending Balance
	Beginning Balance	Additions	Disposals	
Building	\$ 4,016	25,214		\$ 29,230
Furniture & Equip.	<u>37,002</u>	<u>8,272</u>		<u>45,274</u>
Totals	<u>\$ 41,018</u>	<u>\$ 33,486</u>	<u>\$ -0-</u>	<u>\$ 74,504</u>

NOTE 4 BOARD OF DIRECTORS

Each of the following directors served the **Clinic** without compensation:

- | | |
|---------------------|-----------|
| Rev. Henry Booze | President |
| Elijah Moses | Treasurer |
| Frankie Ross | |
| Charlie Bailey | |
| Rosemary Cooke | |
| Ethel Freeman | |
| Delores Perry | |
| Willie Stewart | |
| Rev. Euell Williams | |

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

NOTE 5 OPERATING LEASE

The **Clinic** has a lease commitment for a copier as of September 30, 1998. The cost for the lease for the year ended September 30, 1998 was \$2,058.

The required minimum future rental payments are as follows:

YEAR ENDING SEPTEMBER 30,	
1999	\$ 2,058
2000	<u>1,544</u>
Total	<u>\$ 3,602</u>

NOTE 6 NOTES PAYABLE

The note payable obligations of the **Clinic** at September 30, 1998 are as follows:

10.50%, notes payable with Bank One; The notes were payable in full on December 16, 1997. The principal balance at September 30, 1998 is \$93,019.

The **Clinic** also has a note to the Rapides Finance Authority, which is payable in full as of August 5, 1998, in the amount of \$130,999.

NOTE 7 REVENUES

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

Medicare	\$ 9,317
Medicaid	122,257
Sliding Fee	16,464
Private Insurance	7,825
Other	8,854
Less: contractual adjustment	<u>(18,712)</u>
Total	<u>\$ 146,005</u>

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

NOTE 8 FUNCTIONAL EXPENSE CLASSIFICATION

In accordance with (FASB) NO. 117, the following column depicts all the expenses for the year ended September 30, 1998 in their functional categories.

	UNRESTRICTED GENERAL <u>FUND</u>
Kid Med	\$ 10,394
Program Services	170,124
Administrative	<u>143,249</u>
Total	<u>\$ 323,767</u>

NOTE 9 PATIENT ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 1998 consisted of the following:

Medicare	\$ 9,182
Sliding Fee	23,552
Medicaid	21,195
Private Insurance	15,903
Other	16,906
Less: Allowance for Uncollectibles	<u>(6,947)</u>
Total	<u>\$ 79,791</u>

NOTE 10 RELATED PARTY TRANSACTIONS

During the year, Rev. Henry Booze loaned the organization \$27,146. Prior to year end, all amounts were paid and no amounts are due to or from him.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

NOTE 11 CONTINGENCIES

The Rapides Primary Health Care 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 State of Louisiana.

Grantor Agencies

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

NOTE 12 LITIGATION AND CLAIMS

Notes Payable

The **Clinic** was in default as of September 30, 1998 on the notes to Bank One and to the Rapides Finance Authority. Legal judgment was rendered in favor of the Finance Authority as of August 5, 1998.

Notes Payable

On September 9, 1997 the Taylor Office Supply began seeking legal recourse for outstanding bills owed their organization from the **Clinic**. The amounts demanded in the law suit by Taylor Office Supply is \$20,640. Prior to year end, the organization also owed medical fees for services rendered by Dr. Frank Pearce. Legal action was brought by Dr. Pearce and subsequent to the court filing was paid by the **Clinic**. A judgement of dismissal is pending awaiting payment of court costs. Accordingly, no further financial effect is anticipated.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(continued)**

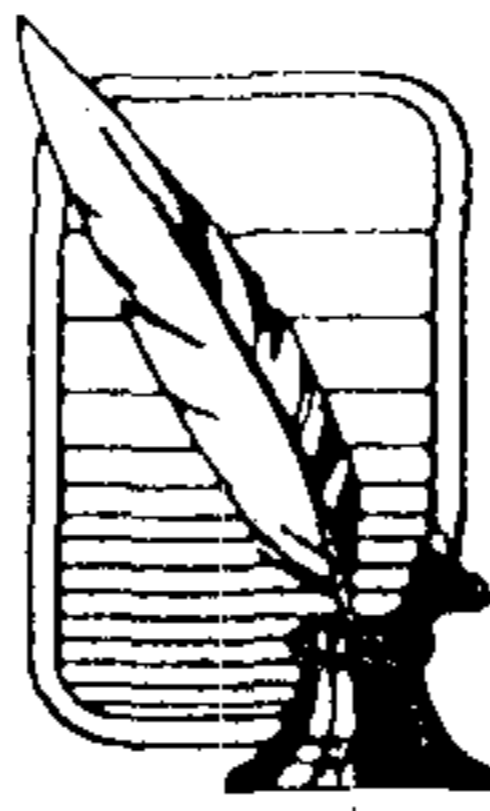
NOTE 12 SUBSEQUENT EVENTS

The **Clinic** is actively pursuing a medical alliance with the State of Louisiana. The new arrangement will be structured to mitigate the financial problems of the past and to continue providing medical care to the under served of Central Louisiana in the future.

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
ALEXANDRIA, LOUISIANA**

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain the report on internal control structure and compliance with laws and regulations required by Government Auditing Standards issued by the Comptroller General of the United States. The paragraph on internal control structure is based solely on the audit of the general purpose financial statements and includes where appropriate, any reportable conditions and/ or material weaknesses. The paragraph on compliance with laws and regulations is, likewise based solely on the audit of the general purpose financial statements and presents, where applicable, compliance matters that would be material to the general purpose financial statements.



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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*

Rapides Primary Health Care Center, Inc.
Alexandria, Louisiana

We were engaged to audit the financial statements of the Rapides Primary Health Care Center, Inc. as of and for the year ended September 30, 1998, and have issued our report thereon dated May 20, 1999. We conducted our examination 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 Rapides Primary Health Care 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 examination 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. 98-16 thru 98-18.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rapides Primary Health Care Center, Inc.'s internal control over financial reporting in order to determine our examination 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 certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgement, could adversely affect the Rapides Primary Health Care 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 described in the accompanying Schedule of Findings and

Questioned Costs are items 98-1 thru 98-15

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. We believe that when all the reportable conditions listed above are taken collectively they are all material weaknesses.

This report is intended for the information of the Rapides Primary Health Care Center, Inc.'s management. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants
May 20, 1999

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1998**

We were engaged to audit the financial statements of Rapides Primary Health Care Center, Inc. as of and for the year ended September 30, 1998 and have issued our report thereon dated May 20, 1999. We conducted our examination in accordance with generally accepted auditing standards and by the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of September 30, 1998 resulted in disclaimer.

Section I - Summary of Auditors' Reports

Financial Statements

Type of auditors' report issued:	Disclaimer
Internal control over financial reporting:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Reportable condition(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Section II - Financial Statement Findings

Reportable Conditions - Material Weaknesses

98-1 BANK RECONCILIATIONS

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

Criteria: Proper accounting controls require that monthly bank reconciliations be performed.

Effect: The organization could have misappropriated 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.

98-2 PURCHASING SYSTEM

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

Criteria: All purchases should be for items which are necessary and procured at the lowest reasonable price.

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.

98-3 FINANCIAL STATEMENTS

Condition: The financial transactions for the year ended September 30, 1998 were not posted to the financial statements in a timely manner.

Criteria: All accounting transactions should be posted to the books on a regular and frequent basis.

Effect: Irregularities could occur as a result of not having an accounting system which reports financial transactions in a timely manner.

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.

98-4 RESULTS OF OPERATION

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

Criteria: Proper accounting controls require comparing actual results of operations to budget on a regular basis.

Effect: The organization will be unable to properly manage grant results.

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

98-5 FIXED ASSETS

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

Criteria: In order to maintain control over capital assets, management should establish a minimum threshold dollar amount for assets they want capitalized.

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.

98-6 PROPERTY TAGS

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

Criteria: Proper controls require that all assets be tagged.

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 decal affixed to it. The sticker should have an identifying property number and it should also state that the asset is property of the Rapides Primary Health Care Center, Inc.

98-7 ASSET INVENTORY LIST

Condition: The inventory list, which serves to control all fixed assets, does not adequately identify the assets owned by the Rapides Primary Health Care Center, Inc.

Criteria: Proper controls require that all tagged assets be placed on the inventory list.

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.

98-8 PHYSICAL INSPECTION

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

Criteria: Proper controls require an annual inspection of all inventory.

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

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

98-9 LEASE AGREEMENTS

Condition: We noted that one of the lease documents was 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.

98-10 ACCOUNTS PAYABLE

Condition: The accounts payable subsidiary journal is not maintained on a daily basis and does not agree to the general ledger.

Criteria: A subsidiary journal of accounts payable should be maintained.

Effect: The organization will not be 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.

98-11 ACCOUNTS RECEIVABLE

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

Criteria: A subsidiary journal of accounts receivable should be maintained.

Effect: The organization will not be 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 on the subsidiary journal by vendor and amount.

98-12 MEDICAL SUPPLIES INVENTORY

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

Criteria: Proper controls require an annual inspection of all medical supplies.

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

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

98-13 941 PAYROLL TAX RETURN

Condition: Some of the federal payroll tax form 941's were not paid or filed on time.

Criteria: The organization is required to file and pay the aforementioned report by the federal due dates.

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.

98-14 STATE WITHHOLDING TAX

Condition: The state withholding payroll tax returns were not filed or paid on time.

Criteria: The organization is required to file and pay the aforementioned taxes by the state due date.

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.

98-15 PAID INVOICES

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

Criteria: All source documents should be maintained on file for four (4) years.

Effect: Unauthorized items could be purchased and misappropriated.

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

Noncompliance - Material to Financial Statements

98-16 LATE AUDIT REPORT

Condition: The organization did not file their September 30, 1998 audit report with the State of Louisiana 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.

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

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

98-17 FORM 990 TAX RETURN

Condition: Form 990, which is the annual income tax return, was not filed on time for the year ended September 30, 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 contract with the auditors on an annual basis to prepare the income tax return.

98-18 CONTRACT VIOLATIONS

Condition: We noted that the organization was not making monthly payments under one (1) 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.

**RAPIDES PRIMARY HEALTH CARE, NC.
ALEXANDRIA, LOUISIANA**

Summary Schedule of Prior Audit Findings and Questioned Costs

Auditor Reference

Number

97-1 Not Corrected

97-2 Not Corrected

97-3 Not Corrected

97-4 Not Corrected

97-5 Not Corrected

97-6 Not Corrected

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
ALEXANDRIA, LOUISIANA

CORRECTIVE ACTION PLAN

AUDITOR REF NUMBER

- 98-1 IN THE FUTURE, ALL BANK RECONCILIATIONS WILL BE PERFORMED ON A MONTHLY BASIS.
- 98-2 WHEN POSSIBLE, ALL PURCHASES WILL BE MADE THRU THE STATE PURCHASING SYSTEM.
- 98-3 ALL TRANSACTIONS IN THE FUTURE WILL BE POSTED TO THE BOOKS IN A TIMELY MANNER.
- 98-4 ACTUAL RESULTS OF OPERATIONS AND BUDGET WILL BE COMPARED ON A REGULAR BASIS.
- 98-5 POLICIES WILL BE ESTABLISHED TO DECIDE THE CRITERIA OF WHAT CONSTITUTES A CAPITAL ASSET.
- 98-6 ALL PROPERTY WILL BE TAGGED.
- 98-7 ALL TAGGED PROPERTY WILL BE PLACED ON THE ASSET INVENTORY LIST.
- 98-8 A PHYSICAL INSPECTION OF ALL ASSETS WILL BE CONDUCTED ON AN ANNUAL BASIS.
- 98-9 ALL CONTRACTS WILL BE MAINTAINED AT THE CLINIC ON FILE.
- 98-10 ALL ACCOUNTS PAYABLE WILL BE MAINTAINED IN A SUBSIDIARY JOURNAL WHICH AGREES TO THE BOOKS.
- 98-11 ALL ACCOUNTS RECEIVABLE WILL BE MAINTAINED IN A SUBSIDIARY JOURNAL WHICH AGREES TO THE BOOKS.
- 98-12 MEDICAL SUPPLIES WILL BE INVENTORIED ON A REGULAR BASIS.
- 98-13 THE FEDERAL 941 TAX WILL BE PAID IN A TIMELY MANNER AND FILED ON THE TAX FORM ACCORDING TO THE FEDERAL REGULATIONS.

- 98-14 THE STATE WITHHOLDING TAX WILL BE PAID IN A
TIMELY MANNER AND FILED ON THE TAX FORM
ACCORDING TO THE STATE REGULATIONS.
- 98-15 ALL INVOICES WILL BE MAINTAINED ON FILE AT
THE CLINIC FOR A PERIOD OF (4) YEARS.
- 98-16 IN THE FUTURE ALL AUDIT REPORTS WILL BE FILED
WITH THE STATE WITHIN (6) MONTHS.
- 98-17 IN THE FUTURE, THE ANNUAL TAX RETURN FORM 990
WILL BE FILED ON TIME.
- 98-18 THE CONTRACT TERMS OF ANY FUTURE ARRANGEMENTS
WILL BE STRICTLY ADHERED TO.

NAME OF CONTACT PERSON: REV. HENRY BOOZE

DATE: JUNE 10, 1999