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Financial Report

*East Jefferson Community
Health Center, Inc.*

June 30, 1998

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Release Date MAR 24 1999

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East Jefferson Community Health Center, Inc.

June 30, 1998

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the accompanying statement of financial position of East Jefferson Community Health Center, Inc. (the Health Center) (a nonprofit corporation) as of June 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following two paragraphs, 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 required 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. East Jefferson Community Health Center, Inc. has included such disclosures in Note 15. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Health Center's disclosures with respect to the year 2000 issue made in Note 15. Further, we do not provide assurance that the Health Center is or will be year 2000 ready, that the Health Center's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Health Center does business will be year 2000 ready.

We were unable to obtain a discussion or evaluation from the Health Center's outside legal counsels of the pending or threatened litigation described in Note 12.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures and had we been able to obtain a discussion or evaluation of pending or threatened litigation from the Health Center's outside local counsels as discussed in the preceding two paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of East Jefferson Community Health Center, Inc. as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Health Center will continue as a going concern. As discussed in Note 16 to the financial statements, the Health Center has ceased receiving funds from grants administered by Jefferson Parish until the Health Center complies with certain reporting requirements. Additionally, certain grant reimbursements for approved expenses were not used to pay those approved expenses. Management believes that the use of these funds would not produce disallowed costs and obligations of the Health Center. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 1999, on our consideration of East Jefferson Community Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of East Jefferson Community Health Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal award is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
March 9, 1999.

STATEMENT OF FINANCIAL POSITION**East Jefferson Community Health Center, Inc.**

June 30, 1998

ASSETS**Current Assets**

Cash	\$ 5,237
Accounts receivable - patient service revenue (net of allowance for uncollectible accounts of \$108,659)	28,584
Grants receivable	<u>150,877</u>
Total current assets	<u>184,698</u>

Property and Equipment

Land	117,000
Buildings (net of accumulated depreciation of \$52,867)	719,594
Furniture and equipment (net of accumulated depreciation of \$74,987)	<u>113,095</u>
Net property and equipment	<u>949,689</u>

Other Assets

Deposits	<u>1,687</u>
Total	<u>\$ 1,136,074</u>

LIABILITIES AND NET ASSETS**Liabilities**

Accounts payable	\$ 136,287
Line-of-credit	23,324
Current maturities of note payable	2,867
Accrued salaries	10,259
Accrued expenses	181
Payroll taxes payable (Note 5):	
Taxes	106,958
Interest and penalties	<u>28,790</u>
Total current liabilities	308,666

Long-Term Debt

Note payable, less current maturities	<u>13,719</u>
Total liabilities	<u>322,385</u>

Commitments and Contingencies (Notes 9 and 11 to 16)**Net Assets**

Unrestricted	154,685
Temporarily restricted	<u>659,004</u>
Total net assets	<u>813,689</u>
Total	<u>\$ 1,136,074</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**East Jefferson Community Health Center, Inc.**

For the year ended June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Gains			
Net patient service revenues	\$ 237,848	\$ -	\$ 237,848
Operating gains:			
Grants:			
East Jefferson General Hospital	-	3,648	3,648
Community Development Block			
Grant (CDBG)	-	489,731	489,731
City of Kenner	25,000	-	25,000
State of Louisiana	-	20,000	20,000
	<u>262,848</u>	<u>513,379</u>	<u>776,227</u>
Net Assets Released From Restrictions			
Satisfaction of purpose restrictions:			
Medical director	148,936	(148,936)	-
Operating salaries and expenses	496,341	(496,341)	-
Satisfaction of time restriction - depreciation	24,193	(24,193)	-
	<u>669,470</u>	<u>(669,470)</u>	<u>-</u>
Total net assets released from restrictions	<u>669,470</u>	<u>(669,470)</u>	<u>-</u>
Total revenues, gains, and net assets released from restrictions	<u>932,318</u>	<u>(156,091)</u>	<u>776,227</u>

**Exhibit B
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses			
Salaries and wages	413,247	-	413,247
Payroll taxes	36,075	-	36,075
Accounting fees	15,000	-	15,000
Bad debt	146,731	-	146,731
Consultant fees	2,950	-	2,950
Contract labor	15,560	-	15,560
Contract physicians	90,971	-	90,971
Depreciation	62,258	-	62,258
Dues and subscriptions	297	-	297
Equipment rental	16,188	-	16,188
Executive director expenses	16,521	-	16,521
Health insurance	27,993	-	27,993
Interest	9,698	-	9,698
Lab and pharmacy fees	108,704	-	108,704
Legal fees	20,444	-	20,444
Liability and workman's comp insurance	14,247	-	14,247
Malpractice insurance	5,175	-	5,175
Marketing expense	1,686	-	1,686
Meeting and printing expense	3,035	-	3,035
Miscellaneous	29,280	-	29,280
Office supplies	11,827	-	11,827
Penalties	20,590	-	20,590
Postage and box rental	3,355	-	3,355
Professional conference	6,913	-	6,913
Repairs and maintenance	28,258	-	28,258
Supplies	34,876	-	34,876
Telephone	20,287	-	20,287
Transportation	21,495	-	21,495
Travel	13,649	-	13,649
Utilities	13,848	-	13,848
	<u>1,211,158</u>	<u>-</u>	<u>1,211,158</u>
Total expenses			
	(278,840)	(156,091)	(434,931)
Decrease In Net Assets			
Net Assets			
Beginning of year	<u>433,525</u>	<u>815,095</u>	<u>1,248,620</u>
End of year	<u>\$ 154,685</u>	<u>\$ 659,004</u>	<u>\$ 813,689</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**East Jefferson Community Health Center, Inc.**

For the year ended June 30, 1998

Cash Flows From Operating Activities	
Decrease in net assets	\$ (434,931)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	62,258
Amortization of discount on long-term promise to give	(3,648)
Allowance for uncollectible accounts	91,172
(Increase) decrease in assets:	
Accounts receivable - patient service revenue	(101,927)
Grants receivable	198,187
Prepaid expenses and deposits	791
Increase (decrease) in liabilities:	
Bank overdraft	(17,628)
Accounts payable	107,629
Accrued salaries	255
Accrued expenses	181
Payroll taxes payable and related interest and penalties	<u>83,444</u>
Net cash used in operating activities	<u>(14,217)</u>
Cash Flows Used In Investing Activities	
Purchase of equipment and building improvements	<u>(5,746)</u>
Cash Flows From Financing Activities	
Net borrowings on line-of-credit	23,324
Payments on note payable	<u>(406)</u>
Net cash provided by financing activities	<u>22,918</u>
Net Increase In Cash	2,955
Cash	
Beginning of year	<u>2,282</u>
End of year	<u>\$ 5,237</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

East Jefferson Community Health Center, Inc.

June 30, 1998

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of East Jefferson Community Health Center, Inc. (the Health Center) is presented to assist in an understanding the Health Center's financial statements. The financial statements and notes are representations of the Health Center's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

a. Nature of Activities

The East Jefferson Community Health Center, Inc. is a nonprofit corporation, formed to provide primary health care services to under-served areas in Jefferson Parish.

b. Financial Statement Presentation

The Health Center follows the reporting requirements contained in Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Health Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Health Center is required to present a statement of cash flows.

The Health Center classifies its resources into three separate classes of net assets as follows:

Unrestricted Net Assets - Receives net patient service revenues, grants and other revenues and expends funds for the general operation of the Health Center.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets - Receives grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - The Health Center does not have any permanently restricted net assets.

c. Use of 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

At June 30, 1998, the Health Center had \$5,237 of cash and no cash equivalents.

e. Allowance for Uncollectible Accounts

Services rendered to the Health Center's patients are either paid at the time of the visit or through a third party. A receivable is recorded for third party reimbursements and patients unable to pay at the time of visit. Receivable amounts that are deemed uncollectible are written off and an allowance for uncollectible accounts is recorded based on management's estimate.

f. Accounts Receivable - Patient Service Revenue - Third-Party Contractual Adjustments

Calculated third-party contractual adjustments are accrued on an estimated basis in the year the related services are rendered. Net patient service revenue is adjusted as required in subsequent years based on final settlements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Grants Receivable

Grants are recognized when the grantor makes a promise to give that is, in substance, unconditional. Conditional grants are recognized when the conditions on which they depend are substantially met. For the year ended June 30, 1998, all unconditional grants were recognized as assets and revenues. All grants receivable are deemed by management to be collectible.

h. Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated property is recorded at its fair market value at the date of receipt, which is then treated as cost. Depreciation is provided for each class of depreciable assets and is computed on the straight-line method using estimated useful live as shown below:

<u>Classification</u>	<u>Estimated Useful Life In Years</u>
Building	29
Furniture and equipment	5 - 10

i. Net Patient Service Revenues

Net patient service revenues represent the estimated net realizable amounts from patients, third-party payers and others for services rendered.

j. Statement of Cash Flows

For the purpose of reporting cash flows, the Health Center considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 1998.

k. Income Taxes

The Health Center is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Note 2 - CONCENTRATION OF CREDIT RISK

The Health Center has its principal office in River Ridge, Louisiana. Medical services are provided to patients who reside primarily in the Harahan and River Ridge area.

Note 3 - RESTRICTIONS OF NET ASSETS

The Health Center classifies the following funding sources as temporarily restricted and accounts for the assets, liabilities, revenues and expenses attributable to:

- **East Jefferson General Hospital Grant** - These funds are to be used for the Medical Director's salary and benefits.
- **1994 Department of Housing and Urban Development (HUD) Community Development Block Grant** - These funds are to be used for the acquisition of certain medical equipment along with construction cost related to the medical clinic.
- **1995 and 1996 Department of Housing and Urban Development (HUD) Community Development Block Grants** - Those funds are to be used for certain staffing and operational expenses of the medical clinic.
- **Jefferson Parish Land Donation** - This fund accounts for the value of property donated to the Health Center for the medical clinic construction.
- **State of Louisiana - HIV/AIDS Program** - These funds are to be used for the treatment and education of the HIV/AIDS.

Temporarily restricted net assets are restricted by the donor for specific purposes or are available for future periods. The temporarily restricted net assets are comprised of cash, receivables and certain property and equipment.

Note 3 - RESTRICTIONS OF NET ASSETS (Continued)

Temporarily restricted net assets at June 30, 1998, are available for the following purposes or periods:

East Jefferson General Hospital Grant - Medical director salary and benefits	\$125,000
1994 Department of Housing and Urban Development Community Development Block Grant - Net book value of equipment and building acquired	403,614
Jefferson Parish Land Donation - Net book value of land donated by Jefferson Parish	117,000
State of Louisiana - HIV/AIDS Program	<u>13,390</u>
Total temporarily restricted net assets	<u>\$659,004</u>

Note 4 - GRANTS RECEIVABLE

Grants receivable at June 30, 1998 are comprised the following amounts:

	<u>Operations and Building Construction</u>	<u>Medical Director</u>	<u>HIV/AIDS Expenses</u>	<u>Total</u>
1994 HUD Community Development Block Grant -Building construction	\$10,000	\$ -	\$ -	\$ 10,000
East Jefferson General Hospital	-	125,000	-	125,000
State of Louisiana	<u>-</u>	<u>-</u>	<u>15,877</u>	<u>15,877</u>
Totals	<u>\$10,000</u>	<u>\$125,000</u>	<u>\$15,877</u>	<u>\$150,877</u>

Note 5 - PAYROLL TAXES PAYABLE

Payroll taxes payable at June 30, 1998 consisted of the following:

<u>Type</u>	<u>Taxes</u>	<u>Interest and Penalties</u>	<u>Total</u>
Federal withholding and FICA:			
Through December 31, 1997	\$ 70,385	\$12,701	\$ 83,086
January 1 through June 30, 1998	21,053	12,574	33,627
State withholding	8,078	2,325	10,403
State unemployment	<u>7,442</u>	<u>1,190</u>	<u>8,632</u>
Totals	<u>\$106,958</u>	<u>\$28,790</u>	<u>\$135,748</u>

During 1998, the Health Center entered into an installment agreement in the amount of \$83,086 with the Internal Revenue Service for outstanding payroll taxes owed through December 31, 1997. Monthly payments of \$4,000 including interest are due until paid in full. Interest will be calculated at the applicable Federal rate. As of June 30, 1998, no monthly installments had been made under this agreement.

Note 6 - LINE-OF-CREDIT AND LONG-TERM DEBT

Line-Of-Credit

During 1998, the Health Center entered into a revolving line-of-credit with Dryades Savings Bank in the amount of \$75,000 expiring October 31, 1998. Interest is due monthly at a rate of 2% above Chase Prime (10.5%). The principal amount is due upon receipt of cost reimbursements from patients and third parties. The line-of-credit is secured by the assignment of accounts receivable.

Long-Term Debt

During 1998, the Health Center entered into a note for the purchase of furniture in the amount of \$16,992. Payments are due in sixty monthly installments of \$387 including interest.

Note 6 - LINE-OF-CREDIT AND LONG-TERM DEBT (Continued)

Aggregate maturities of the note payable at June 30, 1998 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1999	\$ 2,867
2000	3,031
2001	3,146
2002	3,890
2003	<u>3,652</u>
Total	<u>\$16,586</u>

Note 7 - MAJOR FINANCIAL SUPPORT

In August 1995, the Board of Directors of the East Jefferson General Hospital agreed to fund up to one million dollars towards the following areas; \$500,000 for capital costs and \$500,000 for the medical director's salary and benefits to be received in four annual installments of \$125,000.

The Health Center received two installments of \$125,000 prior to 1998 for the medical director's salary and benefits. For the year ended June 30, 1998 the third installment for the medical directors salary was received in August 1997. As of June 30, 1998, \$500,000 had been received for capital costs.

The Jefferson Parish Council has approved allocations of \$358,038 and \$641,938 to the Health Center from their Federal 1996 and 1995 Community Development Block Grant Fund, respectively. The funding from the Community Development Block Grants are subject to certain program income provisions which reduce the cash received under this grant. The funds are designated for operating expenses. As of June 30, 1998, the Health Center had received \$358,038 under the 1996 grant and \$641,938 (\$131,693 in 1998 and \$510,245 in prior years) under the 1995 grant.

Note 8 - FUNCTIONAL ALLOCATION EXPENSES

Expenses have been reported on the statement of activities by natural classification for the year ended June 30, 1998. To present total expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense) on the basis of management's estimate of periodic time and expense evaluations. Management and general expense include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Health Center.

The expenses for the year ended June 30, 1998 are allocated by function as follows:

Program services	\$1,060,158
Supporting services:	
Management and general	<u>151,000</u>
Total	<u>\$1,211,158</u>

Note 9 - OFFICE AND EQUIPMENT LEASES

As of June 30, 1998 the Health Center had office and equipment operating leases as follows:

- Mobile Office - Lease with Williams Scotsman in the amount of \$913 a month for a period of 36 months.
- Postage Meter - Lease with Great America Leasing in the amount of \$41 a month for a period of 36 months.
- Copier - A lease with Xerox corporation in the amount of \$538 a month on a month-to-month basis.

Note 9 - OFFICE AND EQUIPMENT LEASES (Continued)

The following is a schedule by year of minimum lease payments under the above leases at June 30, 1998:

<u>Year Ending June 30,</u>	<u>Amount</u>
1999	\$11,448
2000	11,448
2001	<u>9,835</u>
Total	<u>\$32,731</u>

Total lease payments were \$10,366 for the year ended June 30, 1998.

Note 10 - CASH FLOW INFORMATION

Cash payments of interest expense during the year totaled \$1,520. The Health Center acquired \$16,992 of furniture through borrowings.

Note 11 - CONTINGENCY

In May 1995, the Health Center was awarded a grant of \$452,000 by the Jefferson Parish Council from their Community Development Block Grant Fund. The term of the grant provide for repayment under certain conditions which generally relate to a change in ownership from a not-for-profit organization to a for-profit organization or changes in uses of such assets procured with the grant funds. These terms will remain in effect until the year 2015.

Note 12 - JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES

Management believes there is no material litigation pending against the Health Center at June 30, 1998.

The Health Center receives funding from various federal and local government programs which are subject to final review and approval as to allowability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the year in which agreed upon by the agency and the Health Center. Also,

Note 12 - JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES (Continued)

it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Health Center's financial position.

Note 13 - ECONOMIC DEPENDENCY

The Health Center receives the majority of its revenue from funds provided through grants administered by the Jefferson Parish Community Development Department and East Jefferson General Hospital. The grant amounts are appropriated each year by these granting agencies. If significant budget cuts are made by these granting agencies, the amounts of the funds the Health Center receives could be reduced significantly and have an adverse impact on its operations. The Health Center has been approved to receive \$300,000 in federal funding from the Jefferson Parish Community Development Department from its 1997 Community Development Block Grant for the year ending June 30, 1999 (See Note 16).

Note 14 - RISK MANAGEMENT

The Health Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the two preceding years.

Note 15 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Health Center's operations as early as fiscal year 1999. East Jefferson Health Center, Inc. has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Health Center's operations.

Note 15 - YEAR 2000 ISSUE (continued)

The Health Center will be upgrading all computer systems during the year ending June 30, 1999. The Medtron AS400 which is year 2000 compliant will be purchased to upgrade the electronic billing systems. Current PC-Office 97 and Microsoft software will also be acquired. The total costs of the upgrades is estimated to be \$27,000.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Hospital is or will be year 2000 ready, that the Hospital's remediation efforts will be successful in whole or in part, or that parties with whom the Hospital does business will be year 2000 ready.

Note 16 - GOING CONCERN

The Health Center incurred a decrease in net assets of \$434,931 for the year ended June 30, 1998. The Health Center's current liabilities exceed its current assets by \$123,968 at June 30, 1998. This working capital deficit resulted in the Health Center not meeting its current obligations to remit payroll taxes withheld from employees.

During the year ended June 30, 1998 the Health Center requested reimbursements from grants administered by Jefferson Parish for approximately \$25,500 of payroll tax expenses which was not paid to the Internal Revenue Service or the state. Additionally, other grant reimbursements for approved expenses were not used to pay those approved expenses. Management believes the funds were used by the Health Center for other allowable costs under the grants.

Subsequent to year end, the Health Center ceased receiving funds from grants administered by Jefferson Parish (See Note 7) until the Health Center complies with certain reporting requirements. The Health Center's continued ability to operate is dependent on its ability to receive federal funding from the Jefferson Parish Community Development Department, to raise additional support from the state and local communities and to increase net patient service revenues. Management believes the Health Center will be successful in restoring its funding from Jefferson Parish.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

To the Board of Directors,
East Jefferson Community Health Center, Inc.

We have audited the financial statements of East Jefferson Community Health Center, Inc. as of and for the year ended June 30, 1998, and have issued our report thereon dated March 9, 1999, which was qualified because insufficient audit evidence exists to support the Health Center's disclosures respect to the year 2000 issue and to evaluate pending or threatened litigation against the Health Center. 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 East Jefferson Community Health 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 is described in the accompanying schedule of findings and questioned costs as item 98-11.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Jefferson Community Health 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 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 East Jefferson Community Health Center, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1 through 98-10.

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 necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reported conditions described above, we consider items 98-1, 98-7, 98-9 and 98-10, to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies, pass-through entities and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distributions is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
March 9, 1999.



Bourgeois Bennett

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

To the Board of Directors,
East Jefferson Community Health Center, Inc.

Compliance

We have audited the compliance of East Jefferson Community Health 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 its major federal program for the year ended June 30, 1998. East Jefferson Community Health Center, Inc.'s major federal program is 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 its major federal program is the responsibility of East Jefferson Community Health Center, Inc.'s management. Our responsibility is to express an opinion on East Jefferson Community Health 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 in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, 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 East Jefferson Community Health 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 of East Jefferson Community Health Center, Inc.'s compliance with those requirements.

In our opinion, East Jefferson Community Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 98-12 through 98-15.

Internal Control Over Compliance

The management of East Jefferson Community Health 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 East Jefferson Community Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on its 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, could adversely affect East Jefferson Community Health Center, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-16 and 98-17.

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 grant what would be material in relation to 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 be necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclosed all reportable conditions that are also considered to material weakness. However, of the reported conditions described above, we consider item 98-17 to be a material weakness.

This report is intended for the information of the audit committee, management, federal awarding agencies, pass-through entities and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distributions is not limited.

Bougeson Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
March 9, 1999.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

East Jefferson Community Health Center, Inc.

For the year ended June 30, 1998

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development: Jefferson Parish Community Development Department: Community Development Block Grant	14.218	<u>\$489,731</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

East Jefferson Community Health Center, Inc.

For the year ended June 30, 1998

Note 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133, SINGLE AUDIT ACT AMENDMENTS OF 1996

All Federal grant awards of the East Jefferson Community Health Center, Inc. are included in the scope of the OMB Circular A-133, Single Audit Act Amendments of 1996. The United States Department of Housing and Urban Development is the oversight Federal audit agency.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Award has been prepared on the accrual basis of accounting.

Note 3 - FINDINGS OF NONCOMPLIANCE

The findings of noncompliance are disclosed in the Schedule of Findings and Questioned Cost. The potential reimbursement effects of the findings and not ascertainable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

East Jefferson Community Health Center, Inc.

For the year ended June 30, 1998

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness yes none reported

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 section 510(a) of Circular A-133 yes no

Section I Summary of Auditor's Results (Continued)

c) Identification of Major Program:

CFDA Number(s)

Name of Federal Program (or Cluster)

14.218

Community Development Block Grant

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes X no

Section II Financial Statement Findings

Internal Control

98-1 **Condition** - During our testing of cash disbursements we noted the following:

- Some invoices did not contain documentation as being approved for payment.
- Some invoices were not marked as paid.
- Some invoices did not contain documentation as to which general ledger account the expense was charged.
- Some disbursement was not properly supported by an invoice.
- Some cancelled checks could not be located.

Recommendation - Steps should be taken to ensure that invoices contain the appropriate documentation with respect to approval, payment and general ledger expense distribution and invoices and cancelled checks be retained to support all disbursements. Additionally, advances for per diem travel costs should be subsequently documented with actual invoices.

Section II Financial Statement Findings (Continued)

98-2 **Condition** - Patient service revenue accounts receivable and accounts payable subsidiary ledgers and general ledger cash accounts are not reconciled to the general ledger control accounts.

Recommendation - Patient service revenue accounts receivable and accounts payable subsidiary ledgers and general ledger cash accounts should be reconciled to the general ledger control account on a monthly basis.

98-3 **Condition** - Reconciliations of Federal payroll Form 941 and general ledger salary accounts are not performed. During the year, the Health Center had unfiled payroll tax returns. As of June 30, 1998, the Health Center had unpaid payroll taxes and related penalties and interest for payroll periods ending through June 30, 1998.

Recommendation - Reconciliations should be prepared quarterly between the Federal Form 941 and general ledger salary accounts to ensure accurate reporting on Form 941. Unfiled payroll tax returns should be filed and current payroll tax returns should be filed by the required due date. All unpaid payroll taxes and associated penalties and interest should be paid immediately.

98-4 **Condition** - When examining adjusting journal entries recorded by the accounting department we were unable to locate supporting documentation, calculations or explanations for journal entries. On other occasions the journal entries could not be located.

Recommendation - Supporting documentation, calculations and explanations should be attached to all journal entries prior to being entered into the general ledger. All journal entries should be retained.

98-5 **Condition** - While testing cash disbursements, we noted checks to the Executive Director for reimbursement of expenses that did not have documentation of approval and certain checks were signed by the Executive Director.

Recommendation - Consideration should be given to having the expense reports of the Executive Director approved by one of the Members of the Board of Directors prior to being paid.

Section II Financial Statement Findings (Continued)

98-6 **Condition** - As discussed in Item 98-12 the Health Center has failed to maintain an updated listing of fixed assets.

98-7 **Condition** - For the year ended June 30, 1998, the Health Center had incomplete general ledgers for the months of November and December 1997, as well as an out-of-balance position in their general ledger during the year. Additionally, the Health Center had unlocated payroll accounting records for the year ended June 30, 1998.

Recommendation - Balanced general ledgers should be maintained for all months during the year as well as a complete year-to-date general ledger for the Health Center's fiscal year. Complete payroll accounting records should be retained as support for all transactions.

98-8 **Condition** - Without Board approval a bonus was paid to the Executive Director which was not included on his W-2.

Recommendation - All salaries should be approved by the Board of Directors and included on the employee's W-2 at the end of the year.

98-9 **Condition** - As discussed in Item 98-17, the Health Center does not have an appropriate segregation of duties.

98-10 **Condition** - The Health Center does not submit request timely for reimbursement from third parties for services provided to patients. Also, the Health Center does not effectively pursue collections from patients or third parties.

Recommendation - To improve cash flow, the Health Center must implement a system for timely billing and collection from patients and third parties.

Compliance

98-11 **Finding** - Louisiana state law requires all governmental and quasi-governmental entities to have audit engagements completed within six months for the close of the entities fiscal year. The Health Center was unable to meet this deadline as required by state law. The auditors were delayed in starting the engagement due to the condition of the accounting records and encountering several accounting issues which required more time to resolve

Section II Financial Statement Findings (Continued)

than anticipated. Due to the circumstances previously mentioned, the Health Center was unable to have the audit completed within six months of the close of its fiscal year.

Recommendation - In the future steps need to be taken to ensure that the financial statements are filed in a timely manner.

Section III Federal Award Findings and Questioned Cost

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant
CFDA No. 14.218

Questioned
Cost

Compliance

98-12 **Finding** - For the year ended June 30, 1998, the Health Center failed to maintain an updated listing of fixed assets purchased including those purchased with Federal funds in accordance with OMB Circular A-110. See condition 98-6.

\$ -0-

Criteria - Property management standards included in OMB Circular A-110 require fixed asset listings be maintained for assets acquired with Federal funds.

Effect of Condition - Failure to maintain this listing would prohibit the Health Center from complying with Federal requirements on property management.

Cause of Condition - During the year ended June 30, 1998, the Health Center experienced significant turnover in staffing.

Recommendation - The Health Center should maintain a fixed asset listing in accordance with the property management standards included in OMB Circular A-110 as follows:

Section III Federal Award Findings and Questioned Cost (Continued)

Community Development Block Grant
CFDA No. 14.218

Questioned
Cost

- A description of the equipment.
- Manufacturer's serial number, model number, or other identification number.
- Source of equipment, including the award number.
- Whether title vests in the recipient or the Federal Government.
- Acquisition date and cost.
- Information from which one can calculate the percentage of Federal participation in the cost of the equipment.
- Location and condition of the equipment and the date the information was reported.
- Unit acquisition cost.
- Ultimate disposition data, including date of disposal and sales price.

98-13 **Finding** - *The Health Center failed to submit accurate monthly balance sheets (statements of financial position) and income statements (statements of activities) to the Jefferson Parish Department of Community Development.*

\$ -0-

Criteria - According to the Cooperative Endeavor Agreement between the Health Center and Jefferson Parish Department of Community Development the Health Center is to submit monthly financial statements to the Jefferson Parish Department of Community Development.

Effect of Condition - Funding may be in jeopardy for non performance.

Cause of Condition - Management was unaware that the monthly financial statements were incorrect.

Recommendation - The Health Center should begin submitting their accurate monthly internal financial statements to the Jefferson Parish Department of Community Development.

Section III Federal Award Findings and Questioned Cost (Continued)

Community Development Block Grant
CFDA No. 14.218

Questioned
Cost

98-14 **Finding** - During the year ended June 30, 1998 the Health Center requested reimbursement for approximately \$25,500 (\$24,000 for the year ended June 30, 1997) of payroll tax expenses and salary withholding which was not paid to the Internal Revenue Service but instead was used for other allowable purposes. Subsequently, an Internal Revenue Service agreement was entered into during the fiscal year 1998 that obligated the Health Center for the payroll taxes through December 1997. Additionally, we tested five of the eleven requests for reimbursement and one advance submitted to Jefferson Parish and determined that approximately fifty checks for approved expenses totaling approximately \$42,000 were voided. These results indicate that certain grant reimbursements for approved expenses were not used to pay those approved expenses. However, after examining those invoices related to the voided checks, it has been determined that the \$42,000 of approved expenses have been paid in full.

\$-0-

Criteria - According to the cash management compliance requirement the Health Center should minimize the amount of time between the receipt of funds and the disbursement of the funds in accordance with its intended purpose. According to the sub-recipient agreement with Jefferson Parish it appears that the Health Center is to be reimbursed for funds expended or incurred. The reimbursement by the Parish for payroll taxes not actually paid and for reimbursements used for expenses other than those approved by Jefferson Parish may result in those payroll taxes and expenses not being an allowable cost to be reimbursed.

Section III Federal Award Findings and Questioned Cost (Continued)

Community Development Block Grant
CFDA No. 14.218

Questioned
 Cost

Effect - The Health Center has been assessed interest and penalties by the Internal Revenue Service and State of Louisiana on unpaid payroll taxes. Also, the Health Center could be asked to substantiate to the Parish, that the Parish's reimbursements for payroll taxes and expenses were used by the Health Center for other allowable costs.

Cause of Condition - The Health Center has been experiencing severe cash flow problems during fiscal year 1998.

Recommendation - We suggest the Health Center obtain short term financing to pay these unremitted payroll taxes as soon as possible. Additionally, a meeting with the Parish should be held immediately to discuss the Health Center's use of funds.

98-15 **Finding** - During the year ended June 30, 1998 the Health Center did not maintain documentation regarding the income qualifications on all patients receiving service at the Health Center. \$ -0-

Criteria - According to the Cooperative Endeavor Agreement between Jefferson Parish and the Health Center Section 2 states that "The Consultant shall perform income qualification to assure that only eligible clients receive assistance funded by the Parish's Community Development Program." According to 24 CFR570.506 this eligibility is to be based on the size and annual income of the family of each patient receiving the benefit.

Effect - Failure to maintain income eligibility determination could result in sanctions.

Cause of Condition - During the year ended June 30, 1998, the Health Center experienced significant turnover in staffing.

Section III Federal Award Findings and Questioned Cost (Continued)

Community Development Block Grant
CFDA No. 14.218

Questioned
Cost

Recommendation - The Health Center should follow the recommendations of the Jefferson Parish Department of Community Development and complete the agreed-upon eligibility form for all patients receiving services at the Health Center.

Internal Control

98-16 **Finding** - The Health Center did not have documentation to support calculations of program income generated by CDBG funding.

\$-0-

Criteria - Program income is to be calculated on a monthly basis by using the ratio of CDBG funding to total expenditures.

Effect - Without proper supporting calculations program income can be incorrectly over or under reported.

Cause of Condition - Management failed to retain calculations of program income.

Recommendation - Documentation of calculations regarding program income should be retained in order to support the amounts reported to the granting agency.

98-17 **Findings** - One person is responsible for reviewing invoices, coding invoices to the program, processing invoices for payment, signing checks, and requesting funds from Jefferson Parish for payment of invoices. On occasion, the person who is responsible for reconciling bank statements and posting receipts and disbursement to the general ledger performs the previously mentioned duties. See condition 98-9.

\$-0-

Section III Federal Award Findings and Questioned Cost (Continued)

Community Development Block Grant
CFDA No. 14.218

Questioned
Cost

Criteria - There should be segregation of duties for the review of invoices, coding invoices, processing invoices for payment and having checks signed.

Effect - The possibility of fraud or collusion exists.

Cause of Condition - There is a limited number of personnel available to handle different functions.

Recommendation - The Health Center should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements unopened and review the canceled checks and statements for unusual items.

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
QUESTIONED COSTS**

East Jefferson Community Health Center, Inc.

For the year ended June 30, 1998

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

97-1 Recommendation - Steps should be taken to ensure that invoices contain the appropriate documentation with respect to approval, payment and general ledger expense distribution and invoices be retained to support all disbursements.

Management's Response - PeachTree accounting systems were installed to adhere to these concerns. As of July 1998, invoices are attached to a copy of the electronic check mailed for payment, stamped paid and placed in a paid vendor folder. See finding 98-1 in the accompanying schedule of findings and questioned costs.

97-2 Recommendation - Patient service revenue accounts receivable should be reconciled to the general ledger control account on a monthly basis.

Management's Response - As of February 1999, the independent accountant reconciled the subsidiary ledger as of June 30, 1998. See finding 98-2 in the accompanying schedule of findings and questioned costs.

97-3 Recommendation - Reconciliations should be prepared quarterly between the Federal Form 941 and general ledger salary accounts to ensure accurate reporting on Form 941.

Management's Response - As of February 1999, Form 941's are manually reconciled prior to general ledger transfer by the independent accountant. Currently, the Form 941 is prepared by Paychex and then reconciled to the general ledger. See finding 98-3 in the accompanying schedule of findings and questioned costs.

97-4 Recommendation - Supporting documentation, calculations and explanations should be attached to all journal entries prior to being entered into the general ledger.

Section I - Internal Control and Compliance Material to the Financial Statements (Continued)

Management's Response - As of July 1999, adjusting journal entries with written description will be attached. Currently, adjusting journal entries with written description attached are kept in a filed folder. See finding 98-4 in the accompanying schedule of findings and questioned costs.

- 97-5 Recommendation** - Entries should be recorded when needed to adjust the general ledger cash balance to agree to the bank reconciliations.

Management's Response - As of February 1999, entries are being prepared by the independent accountant to adjust the general ledger to agree to the bank reconciliation. See finding 98-2 in the accompanying schedule of findings and questioned costs.

- 97-6 Recommendation** - Consideration should be given to having the expense reports of the Executive Director approved by one of the Members of the Board of Directors prior to being paid.

Management's Response - All expense reports have been approved by the Board Chairman (Mr. Louis Thomas). Currently, for the FY 98-99 all expense reports above \$200.00 are approved by Mr. J. C. Dawson, Board Chairman. See finding 98-5 in the accompanying schedule of findings and questioned costs.

- 97-7 Recommendation** - As discussed in Item 97-11 the Health Center should maintain a listing of fixed assets.

- 97-8 Recommendation** - The general ledger of the Health Center should be maintained and internal financial statements prepared using the June 30 year end.

Management's Response - Resolved, internal financial reporting was adjusted as of July 1, 1998.

Compliance

- 97-9 Recommendation** - In the future, steps need to be taken to ensure that the financial statements are filed in a timely manner.

Section I - Internal Control and Compliance Material to the Financial Statements (Continued)

Management's Response - An accountant, as an independent consultant, will be retained to ensure that the financial statements are filed in a timely manner to prevent the delay and start the engagement in time, to meet the requirements of the State of Louisiana. See finding 98-11 in the accompanying schedule of findings and questioned costs.

97-10 Recommendation - As discussed in Item 97-14 the Health Center should pay payroll taxes currently.

Section II - Internal Control and Compliance Material To Federal Award

Compliance / Internal Control

97-11 Recommendation - The Health Center should maintain a fixed asset listing in accordance with the property management standards included in OMB Circular A-110 as follows:

- A description of the equipment.
- Manufacturer's serial number, model number, or other identification number.
- Source of equipment, including the award number.
- Whether title vests in the recipient or the Federal Government.
- Acquisition date and cost.
- Information from which one can calculate the percentage of Federal participation in the cost of the equipment.
- Location and condition of the equipment and the date the information was reported.
- Unit acquisition cost.
- Ultimate disposition data, including date of disposal and sales price.

Management's Response - As of February 1999, fixed assets are listed and copies of invoices are placed in a fixed assets file folder. See finding 98-12 in the accompanying schedule of findings and questioned costs.

97-12 Recommendation - The Health Center should begin submitting their monthly internal financial statements to the Jefferson Parish Department of Community Development.

Section II - Internal Control and Compliance Material To Federal Award (Continued)

Management's Response - As of July 1999, monthly internal financial statements are submitted to Jefferson Parish Department of Community Development. See finding 98-13 in the accompanying schedule of findings and questioned costs.

- 97-13 Recommendation** - Documentation of calculations regarding program income should be retained in order to support the amounts reported to granting agency.

Management's Response - Currently, an excel spreadsheet with income as deposited on a monthly basis is being documented. See finding 98-16 in the accompanying schedule of findings and questioned costs.

- 97-14 Recommendation** - The Health Center should obtain short term financing to pay unremitted payroll taxes as soon as possible. Additionally, a meeting with the Parish should be held immediately to discuss the Health Center's use of funds.

Management's Response - Funds designated to pay for unremitted payroll taxes are pending the June 30, 1998 audit. A meeting with the Parish was held to discuss the Health Center's use of funds. As a result, we have agreed to be reimbursed \$74.00 per patient per encounter with the funds to be used at the Center's discretion. The Parish internal audit would be limited to the patients payment received. See finding 98-14 in the accompanying schedule of findings and questioned costs.

- 97-15 Recommendation** - The Health Center should follow the recommendations of the Jefferson Parish Department of Community Development and complete the agreed-upon eligibility form for all patients receiving services at the Health Center.

Management's Response - The agreed-upon eligibility form for all patients receiving services at the Health Center that are funded by the Parish are being completed. Internal audit by the Parish has approved the Center's method of proving eligibility. See finding 98-15 in the accompanying schedule of findings and questioned costs.

MANAGEMENT'S CORRECTIVE ACTION PLAN ON
CURRENT YEAR FINDINGS

East Jefferson Community Health Center, Inc.

For the year ended June 30, 1998

<u>Finding Number</u>	<u>Status</u>
98-1	As of July 1998, new management has ensured that all invoices will contain documentation, including which general ledger account, the expense was charged. The paid invoices will be placed in a file cabinet marked paid invoice.
98-2	Patient service revenue accounts receivable and accounts payable subsidiary ledgers and general ledger cash accounts will be reconciled to the general ledger on a monthly basis.
98-3	Reconciliation's of Federal payroll Form 941 and general ledger salary accounts will be performed on a monthly basis. Unpaid payroll taxes and related penalties and interest for payroll periods ended through June 30, 1998 will be paid in accordance with the Internal Revenue Service agreement made on April 1998.
98-4	All adjusting journal entries recorded will have supporting documentation, calculations and / or explanations for journal entries. An independent accountant has been retained to ensure procedures are implemented.
98-5	Board approved a resolution authorizing the Executive Director to sign checks (one signature) up to \$2,000.00. Currently, the Board of Directors implemented a policy that any check to the Executive Director for expenses, salary increase, etc., over \$2,000.00 must be signed by a Board Member.
98-6	A listing of fixed assets will be maintained by the Health Center.
98-7	Balance general ledgers will be maintained for all months during the year as well as a complete year-to-date general ledger for the Health Center's fiscal year.

Finding
Number

Status

- | | |
|-------|--|
| 98-8 | The Past Executive Director's W-2 will be amended by Paychex to reflect the unauthorized bonus. |
| 98-9 | As of July 1998, the Health Center does have appropriate segregation of duties. Those accounting duties are segregated between three office personnel. |
| 98-10 | The Health Center is in the process of upgrading the Medtron Billing System. The new system will allow the office staff to bill in a timely manner. Monthly statements will be mailed to patients asking for payment. For Medicare patients, if they cannot pay, they will write they cannot pay on the statement. |
| 98-11 | The Health Center has retained the services of an independent accountant to ensure the financial statements are filed in a timely manner. |
| 98-12 | The Health Center will maintain a fixed asset listing in accordance with the property management standards included in OMB Circular A-110. |
| 98-13 | As of July 1998, the Health Center has submitted accurate monthly balance sheet to the Jefferson Parish department of community development. |
| 98-14 | Yes, grant reimbursements for approved expenses were not used to pay those approved expenses. This happened without the Board's knowledge and / or authorization. When the Board became aware, outstanding checks for approved expenses totaling approximately \$42,000, were paid as of July 1998. Additionally, a meeting was held with the CDBG department in August 1998 modifying the method of reimbursement. From a Board's prospective, this new method of reimbursement would help to eliminate severe cash flow problems that the entity had experienced. It was also agreed by the CDBG department, that this method would simplify the eligibility income requirements and speed up the reimbursement process. |

Finding
Number

Status

98-15

As of July 1998, the policy changed. The Health Center is required to maintain documentation regarding the income qualifications on only the patients that seek payment by CDBG.

98-16

As of July 1998, the Health Center has documentation to support calculations of program income generated by CDBG funding.

98-17

As of July 1998, there is segregation of duties for the review of invoices, coding invoices, processing invoices for payment and check signing. These duties are currently the responsibility of three office staff.