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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE**

MAY 31, 1998 AND 1997

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 DEC 16 1998

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE**

MAY 31, 1998 AND 1997

CONTENTS

	<u>Page</u>
Independent Auditors' Report	4
Financial Statements:	
Balance Sheets - Unrestricted Funds	5
Statements of Operations - Unrestricted Funds	7
Statements of Changes in Fund Balance - Unrestricted	8
Statements of Cash Flows - Unrestricted Funds	9
Notes to Financial Statements	10
Supplementary Data:	
Independent Auditors' Report on Supplementary Data	18
Schedule 1 - Gross Patient Service Revenue by Department	19
Schedule 2 - Departmental Expenses	21
Schedule 3 - Departmental Revenue and Expenses	23
Schedule 4 - Surety Bonds	25

CONTENTS (CONTINUED)

	<u>Page</u>
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Corrective Action Plan for Current Year Audit Findings	30
Summary of Prior Audit Findings	32

Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report

We have audited the accompanying Balance Sheets - Unrestricted Funds of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of May 31, 1998 and 1997, and the related Statements of Operations - Unrestricted Funds, Changes in Fund Balance - Unrestricted and Cash Flows - Unrestricted Funds for the year and five months then ended, respectively. These financial statements are the responsibility of the Hospital's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital, as of May 31, 1998 and 1997, and the results of its operations and its cash flows of unrestricted funds for the year and five months then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Hospital's internal control structure and a report on its compliance with laws and regulations dated September 18, 1998.



Jackson, Mississippi
September 18, 1998

FINANCIAL STATEMENTS

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

BALANCE SHEETS - UNRESTRICTED FUNDS

MAY 31, 1998 AND 1997

ASSETS	<u>1998</u>	<u>1997</u>
CURRENT ASSETS:		
Cash and cash equivalents - Note 2	\$ 71,150	\$ 501,327
Certificates of deposit - Note 2	-	203,218
Receivables:		
Patient accounts, net of estimated uncollectibles and contractual adjustments of \$835,000 and \$426,000 in 1998 and 1997, respectively - Note 3	1,351,125	687,841
Due from third-party payors - Note 4	408,773	73,978
Other	<u>2,290</u>	<u>33,062</u>
Net receivables	1,762,188	794,881
Inventories	67,632	72,165
Prepaid expenses	<u>40,594</u>	<u>46,259</u>
TOTAL CURRENT ASSETS	1,941,564	1,617,850
PROPERTY, BUILDINGS AND EQUIPMENT, NET - Note 5	905,761	856,265
ASSETS LIMITED AS TO USE - Notes 2 and 6	<u>826,854</u>	<u>1,386,552</u>
TOTAL ASSETS	<u>\$ 3,674,179</u>	<u>\$ 3,860,667</u>

See accompanying Notes to Financial Statements.

LIABILITIES AND FUND BALANCE

	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES:		
Current portion of long-term liabilities	\$ 44,000	\$ 23,000
Accounts payable	470,068	121,029
Accrued expenses	<u>461,320</u>	<u>327,934</u>
TOTAL CURRENT LIABILITIES	975,388	471,963
LONG-TERM LIABILITIES, EXCLUDING CURRENT PORTION - Note 7	74,902	74,822
COMMITMENTS - Note 8	-	-
FUND BALANCE - UNRESTRICTED	<u>2,623,889</u>	<u>3,313,882</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,674,179</u>	<u>\$ 3,860,667</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS

**YEAR ENDED MAY 31, 1998 AND
FIVE MONTHS ENDED MAY 31, 1997**

	<u>1998</u>	<u>1997</u>
NET PATIENT SERVICE REVENUE - Note 3	\$ 5,411,774	\$ 1,124,990
OTHER OPERATING REVENUE - Note 9	<u>220,426</u>	<u>77,579</u>
TOTAL OPERATING REVENUE	5,632,200	1,202,569
OPERATING EXPENSES:		
Salaries and wages - Note 10	1,974,596	738,860
Supplies and other - Note 10	2,662,972	630,134
Employee benefits - Note 10	303,982	122,467
Depreciation	110,410	35,751
Provision for bad debts, net	1,324,456	168,767
Interest	<u>4,435</u>	<u>1,694</u>
TOTAL OPERATING EXPENSES	<u>6,380,851</u>	<u>1,697,673</u>
INCOME (LOSS) FROM OPERATIONS	(748,651)	(495,104)
NONOPERATING INCOME (EXPENSE):		
Interest income	63,881	38,874
Rental income	12,508	6,750
Gain (loss) on sale of investments	<u>(17,731)</u>	<u>844</u>
	<u>58,658</u>	<u>46,468</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	<u>\$ (689,993)</u>	<u>\$ (448,636)</u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED

**YEAR ENDED MAY 31, 1998 AND
FIVE MONTHS ENDED MAY 31, 1997**

	<u>1998</u>	<u>1997</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 3,313,882	\$ 3,762,518
EXCESS OF REVENUE OVER (UNDER) EXPENSES	<u>(689,993)</u>	<u>(448,636)</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,623,889</u>	<u>\$ 3,313,882</u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS
YEAR ENDED MAY 31, 1998 AND
FIVE MONTHS ENDED MAY 31, 1997
Increase (Decrease) in Cash and Cash Equivalents**

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Excess of revenue over (under) expenses	\$ (689,993)	\$ (448,636)
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and gains:		
Depreciation	110,410	35,751
(Gain) loss on sale of investments	17,731	(844)
Provisions for losses on accounts receivable	409,000	26,000
Changes in operating assets and liabilities:		
(Increase) decrease in receivables, net	(1,376,307)	836,075
(Increase) decrease in inventories	4,533	(21,094)
(Increase) decrease in prepaid expenses	5,665	(11,769)
Increase (decrease) in accounts payable and accrued expenses	<u>482,425</u>	<u>(120,164)</u>
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	(1,036,536)	295,319
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(124,495)	(97,801)
Principal payments on long-term liabilities	<u>(32,062)</u>	<u>(9,356)</u>
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(156,557)	(107,157)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
(Increase) decrease in certificates of deposit	203,218	(102,753)
Decrease in assets limited as to use	<u>559,698</u>	<u>70,224</u>
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	<u>762,916</u>	<u>(32,529)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(430,177)	155,633
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>501,327</u>	<u>345,694</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 71,150</u>	<u>\$ 501,327</u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) is a governmental acute care hospital located in Lake Providence, Louisiana. It was created by the East Carroll Parish Police Jury. The Policy Jury appoints the Board of Commissioners of the Hospital. The Hospital is considered a political subdivision of the State of Louisiana and a component unit of East Carroll Parish.

The Hospital changed its fiscal year from December 31 to May 31, and, thus, the accompanying 1997 financial statements include only five months of operations.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost. Donated property, buildings and equipment are recorded at fair market value at the date of donation, which then is treated as cost. The cost of additions and improvements, which substantially extend the useful life of a particular asset, is capitalized. Expenditures for maintenance and repairs are charged to expenses.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is amortized on the

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the accompanying financial statements.

Proprietary Fund Accounting

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

Federal and State Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is exempt from federal and state income taxes.

Donor Restricted Funds

The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted fund balance is reclassified as unrestricted fund balance. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions.

The Hospital reports gifts of property and equipment (or other long-lived assets) as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports expirations of donor restrictions when the donated or *acquired long-lived assets are placed in service*. *There were no donor restricted fund balances at May 31, 1998 or 1997.*

Risk Management

The Hospital 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 recent years. The Hospital is insured for medical malpractice claims and judgments as discussed in Note 8.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounting Standards

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

Deposits and Investments

It is the Hospital's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in (1) direct obligations of the United States Government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and (3) savings accounts at savings and loan associations and banks to the extent fully insured.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investment instruments purchased with an original maturity of three months or less.

NOTE 2 - CASH AND OTHER DEPOSITS

For financial statement purposes, cash and other deposits consist of demand accounts, insured savings accounts and certificates of deposit.

NOTE 2 - CASH AND OTHER DEPOSITS (CONTINUED)

At May 31, 1998 and 1997, the Hospital had bank balances as follows:

	<u>1998</u>	<u>1997</u>
Insured (FDIC)	\$ 200,000	\$ 712,930
Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name	<u>643,831</u>	<u>155,268</u>
Total depository balance	<u>\$ 843,831</u>	<u>\$ 868,198</u>
Carrying value	<u>\$ 898,004</u>	<u>\$ 704,545</u>

NOTE 3 - NET PATIENT SERVICE REVENUE

The Hospital grants credit to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital has agreements with certain third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.
- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

NOTE 3 - NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross and net patient service revenue follows:

	<u>1998</u>	<u>1997</u>
Gross patient service revenue	\$ 5,626,934	\$ 1,430,498
Less provisions for contractual adjustments under third-party reimbursement programs, net of disproportionate share payment of \$414,956 and \$159,575 for 1998 and 1997, respectively	<u>(215,160)</u>	<u>(305,508)</u>
Net patient service revenue	<u>\$ 5,411,774</u>	<u>\$ 1,124,990</u>
Percentage of gross	<u>96%</u>	<u>79%</u>

A summary of gross revenue from patient services rendered under contract with major third-party payors follows:

	<u>1998</u>		<u>1997</u>	
	<u>Amount</u>	<u>Percent of Total Patient Revenue</u>	<u>Amount</u>	<u>Percent of Total Patient Revenue</u>
Medicare	\$ 2,954,960	52.5	\$ 461,777	32.3
Medicaid	<u>1,244,471</u>	<u>22.1</u>	<u>491,865</u>	<u>34.4</u>
	<u>\$ 4,199,431</u>	<u>74.6</u>	<u>\$ 953,642</u>	<u>66.7</u>

NOTE 4 - DUE FROM THIRD-PARTY PAYORS

In February 1997, the Hospital received approximately \$796,000 from the Louisiana Medicaid Program related to cost reports filed for years spanning from 1990 to 1995.

NOTE 4 - DUE FROM THIRD-PARTY PAYORS (CONTINUED)

A summary of amounts due from third-party payors follows:

	<u>1998</u>	<u>1997</u>
Due from Medicare Program, net	\$ 261,574	\$ 50,867
Due from Louisiana Medicaid Program, net	<u>147,199</u>	<u>23,111</u>
	<u>\$ 408,773</u>	<u>\$ 73,978</u>
Provision for future third-party retroactive adjustments (included in accrued expenses)	<u>\$ (338,000)</u>	<u>\$ (207,000)</u>

NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property, buildings and equipment follows:

	<u>1998</u>	<u>1997</u>
Land	\$ 21,000	\$ 21,000
Buildings and improvements	1,093,182	882,565
Equipment	442,156	649,236
Transportation equipment	202,796	153,041
Clinic	<u>188,664</u>	<u>153,688</u>
	1,947,798	1,859,530
Less accumulated depreciation	<u>(1,042,037)</u>	<u>(1,310,506)</u>
	905,761	549,024
Construction in progress	<u>-</u>	<u>307,241</u>
	<u>\$ 905,761</u>	<u>\$ 856,265</u>

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use included investments in insured savings accounts and debt securities which are held by the Hospital or its agent in the Hospital's name. The use of these funds were internally restricted by the Board. During 1998, the Board lifted restrictions on the use of a portion of these funds, and they were transferred to operating funds.

NOTE 6 - ASSETS LIMITED AS TO USE (CONTINUED)

The assets comprising the balance of assets limited as to use were as follows:

	<u>1998</u>	<u>1997</u>
U. S. Treasury Notes	\$ -	\$ 1,264,772
Bank deposits	<u>826,854</u>	<u>121,780</u>
	<u>\$ 826,854</u>	<u>\$ 1,386,552</u>

NOTE 7 - LONG-TERM LIABILITIES

	<u>1998</u>	<u>1997</u>
Note payable to Dr. Paris, an employee, at 4%, payable in monthly installments of \$2,210, including principal and interest, uncollateralized, final payment due May 2001.	\$ 76,682	\$ 97,822
Lease payable to IBM Credit Corporation, at varying interest rates, payable in monthly installments of \$1,625, including principal and interest, collateralized by equipment, final payment due October 2000.	<u>42,220</u>	<u>-</u>
	118,902	97,822
Less current portion	<u>(44,000)</u>	<u>(23,000)</u>
	<u>\$ 74,902</u>	<u>\$ 74,822</u>

The property acquired in connection with the above lease with IBM Credit Corporation was in a noncash transaction and therefore is excluded from the accompanying statements of cash flows - unrestricted funds.

Annual maturities of long-term liabilities follow:

1999	\$ 44,000
2000	43,673
2001	<u>31,229</u>
	<u>\$ 118,902</u>

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Interest expense paid (cash basis) was \$4,435 and \$1,694 for 1998 and 1997, respectively.

NOTE 8 - MALPRACTICE INSURANCE

The Hospital's malpractice insurance coverage is a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Claims may be asserted against the Hospital arising from services provided to patients through May 31, 1998, in excess of insurance policy limits. No amounts have been accrued for potential claims in excess of insurance coverage, since the Hospital has never incurred and does not expect to incur such claims.

NOTE 9 - OTHER OPERATING REVENUE

Other operating revenue consists of:

	<u>1998</u>	<u>1997</u>
Parish subsidy	\$ 182,067	\$ 34,446
Emergency Room grant	-	25,000
Ambulance memberships	10,880	6,755
Sale of meals	8,627	5,128
Other revenue	<u>18,852</u>	<u>6,250</u>
	<u>\$ 220,426</u>	<u>\$ 77,579</u>

The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.

NOTE 10 - SALARIES AND WAGES

At the beginning of fiscal year ended May 31, 1998, the Hospital began outsourcing all of its employees under an agreement with a third-party administrator. This agreement provided that the staff of the Hospital become legal employees of the Administrator who performs the administrative personnel functions. The employees continue to serve at the pleasure of the Hospital's Administrator and the Board. For financial statement purposes, the outsourced payroll expenses have been classified as salaries and employee benefits in the accompanying statement of operations - unrestricted funds.

SUPPLEMENTARY DATA

Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report on Supplementary Data

The audited financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital as of and for the year ended May 31, 1998 and five month period ended May 31, 1997, and our report thereon dated September 18, 1998, are presented in the preceding section of this report. Our audits were made for the purpose of forming our opinion on the financial statements taken as a whole.

Supplementary data Schedules 1 through 4 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Smith, Turner & Reeves

Jackson, Mississippi
September 18, 1998

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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
GROSS PATIENT SERVICE REVENUE BY DEPARTMENT
YEAR ENDED MAY 31, 1998 AND
FIVE MONTHS ENDED MAY 31, 1997**

	<u>Year Ended May 31, 1998</u>		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
ROUTINE SERVICES:			
Hospital	\$ 258,990	\$ -	\$ 258,990
Senior Care Unit	<u>1,340,040</u>	<u>-</u>	<u>1,340,040</u>
	1,599,030	-	1,599,030
ANCILLARY SERVICES:			
Radiology	31,909	201,518	233,427
Laboratory	182,435	306,247	488,682
Respiratory therapy	95,311	13,476	108,787
Electrocardiology	15,906	26,795	42,701
Central supply	341,216	212,882	554,098
Pharmacy	325,150	105,387	430,537
Emergency Room	-	496,785	496,785
Ambulance	-	1,020,467	1,020,467
Clinic	<u>-</u>	<u>652,420</u>	<u>652,420</u>
	<u>991,927</u>	<u>3,035,977</u>	<u>4,027,904</u>
	<u>\$ 2,590,957</u>	<u>\$ 3,035,977</u>	<u>\$ 5,626,934</u>
Percentage of total	<u>46%</u>	<u>54%</u>	<u>100%</u>

Schedule 1

Five Months Ended May 31, 1997

<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
\$ 35,827	\$ -	\$ 35,827
24,515	-	24,515
<u>60,342</u>	<u>-</u>	<u>60,342</u>
13,439	88,151	101,590
43,544	125,242	168,786
35,555	5,536	41,091
4,348	13,426	17,774
79,758	80,705	160,463
53,740	33,853	87,593
-	213,200	213,200
-	338,127	338,127
-	241,532	241,532
<u>230,384</u>	<u>1,139,772</u>	<u>1,370,156</u>
<u>\$ 290,726</u>	<u>\$ 1,139,772</u>	<u>\$ 1,430,498</u>
<u>20%</u>	<u>80%</u>	<u>100%</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL EXPENSES
YEAR ENDED MAY 31, 1998 AND
FIVE MONTHS ENDED MAY 31, 1997**

	<u>Year Ended May 31, 1998</u>		
	<u>Salaries and Wages</u>	<u>Supplies and Other Expenses</u>	<u>Total</u>
ROUTINE SERVICES:			
Hospital	\$ 528,004	\$ 36,204	\$ 564,208
Senior Care Unit	-	994,843	994,843
	<u>528,004</u>	<u>1,031,047</u>	<u>1,559,051</u>
ANCILLARY SERVICES:			
Radiology	34,901	53,680	88,581
Laboratory	101,600	137,648	239,248
Respiratory therapy	-	6,898	6,898
Electrocardiology	-	20,581	20,581
Central supply	-	41,477	41,477
Pharmacy	23,216	123,515	146,731
Emergency Room	-	596,193	596,193
Ambulance	382,072	84,169	466,241
Clinic	<u>615,557</u>	<u>113,107</u>	<u>728,664</u>
	1,157,346	1,177,268	2,334,614
OTHER DEPARTMENTS:			
General and administrative	141,835	301,236	443,071
Dietary	42,760	45,946	88,706
Environmental services and plant operations	84,982	106,324	191,306
Medical records	<u>19,669</u>	<u>1,151</u>	<u>20,820</u>
	<u>289,246</u>	<u>454,657</u>	<u>743,903</u>
	<u>\$ 1,974,596</u>	<u>\$ 2,662,972</u>	<u>\$ 4,637,568</u>

Schedule 2

Five Months Ended May 31, 1997

<u>Salaries and Wages</u>	<u>Supplies and Other Expenses</u>	<u>Total</u>
\$ 224,440	\$ 14,230	\$ 238,670
<u>-</u>	<u>-</u>	<u>-</u>
224,440	14,230	238,670
18,642	12,155	30,797
36,710	56,196	92,906
-	3,551	3,551
-	4,835	4,835
-	18,716	18,716
6,523	15,057	21,580
-	238,822	238,822
143,825	41,633	185,458
<u>185,685</u>	<u>45,748</u>	<u>231,433</u>
391,385	436,713	828,098
58,168	119,848	178,016
16,168	17,341	33,509
40,875	41,455	82,330
<u>7,824</u>	<u>547</u>	<u>8,371</u>
<u>123,035</u>	<u>179,191</u>	<u>302,226</u>
<u>\$ 738,860</u>	<u>\$ 630,134</u>	<u>\$ 1,368,994</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL REVENUE AND EXPENSES
YEAR ENDED MAY 31, 1998 AND
FIVE MONTHS ENDED MAY 31, 1997**

	<u>Year Ended May 31, 1998</u>			
	<u>Gross Revenue</u>		<u>Expenses</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
ROUTINE SERVICES:				
Hospital	\$ 258,990	4.6	\$ 564,208	8.8
Senior Care Unit	<u>1,340,040</u>	<u>23.8</u>	<u>994,843</u>	<u>15.6</u>
	1,599,030	28.4	1,559,051	24.4
ANCILLARY SERVICES:				
Radiology	233,427	4.2	88,581	1.4
Laboratory	488,682	8.7	239,248	3.7
Respiratory therapy	108,787	1.9	6,898	0.1
Electrocardiology	42,701	0.8	20,581	0.3
Central supply	554,098	9.8	41,477	0.7
Pharmacy	430,537	7.7	146,731	2.3
Emergency Room	496,785	8.8	596,193	9.3
Ambulance	1,020,467	18.1	466,241	7.3
Clinic	<u>652,420</u>	<u>11.6</u>	<u>728,664</u>	<u>11.4</u>
	4,027,904	71.6	2,334,614	36.5
OTHER DEPARTMENTS	-	-	743,903	11.7
EMPLOYEE BENEFITS	-	-	303,982	4.8
DEPRECIATION	-	-	110,410	1.7
BAD DEBTS	-	-	1,324,456	20.8
INTEREST	<u>-</u>	<u>-</u>	<u>4,435</u>	<u>0.1</u>
	<u>\$ 5,626,934</u>	<u>100.0</u>	<u>\$ 6,380,851</u>	<u>100.0</u>

Schedule 3

Five Months Ended May 31, 1997

<u>Gross Revenue</u>		<u>Expenses</u>	
<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
\$ 35,827	2.5	\$ 238,670	14.1
<u>24,515</u>	<u>1.7</u>	<u>-</u>	<u>-</u>
60,342	4.2	238,670	14.1
101,590	7.1	30,797	1.8
168,786	11.8	92,906	5.5
41,091	2.9	3,551	0.2
17,774	1.2	4,835	0.3
160,463	11.2	18,716	1.1
87,593	6.1	21,580	1.3
213,200	14.9	238,822	14.1
338,127	23.7	185,458	10.9
<u>241,532</u>	<u>16.9</u>	<u>231,433</u>	<u>13.6</u>
1,370,156	95.8	828,098	48.8
-	-	302,226	17.8
-	-	122,467	7.2
-	-	35,751	2.1
-	-	168,767	9.9
<u>-</u>	<u>-</u>	<u>1,694</u>	<u>0.1</u>
<u>\$ 1,430,498</u>	<u>100.0</u>	<u>\$ 1,697,673</u>	<u>100.0</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
SURETY BONDS
YEAR ENDED MAY 31, 1998**

<u>Name</u>	<u>Position</u>	<u>Surety</u>
Richard Howard	Board	Executive Risk Indemnity, Inc.
Daniel Terral	Board	Executive Risk Indemnity, Inc.
Donna Winters	Board	Executive Risk Indemnity, Inc.
James Jackson	Board	Executive Risk Indemnity, Inc.
Don W. Bailey, M.D.	Board	Executive Risk Indemnity, Inc.
LaDonna Englerth	Administrator	Executive Risk Indemnity, Inc.
Public Employees Blanket Bond	All Employees	EMC Insurance Companies

Executive Risk Indemnity, Inc. has a maximum limit of liability of \$1,000,000.

EMC Insurance Companies has a maximum limit of liability of \$100,000.

Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended May 31, 1998, and have issued our report thereon dated September 18, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 judgment, could adversely

affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

Finding No. 1 - Payroll

At the beginning of the fiscal year, the Hospital began using Payroll Plus, Inc. (PPI), a third party, for administering the staffing and payroll functions for its employees. Under this agreement, personnel are legally employees of PPI who "leases" the employees to the Hospital. PPI is responsible for all related tax filings and personnel administration, while the staff are employed at the pleasure of the Administrator and the Board. As of the date of this report, a signed agreement was not on file. We recommend an executed agreement be maintained at the Hospital.

Additionally, personnel clock in/out using an electronic time system. Time is retrieved by PPI electronically at the end of each pay period. Management does not review the personnel's time prior to retrieval by the outsourcing firm.

To enhance internal controls in the payroll area, we recommend that Management require that PPI provide a report showing the regular, overtime and paid time off hours for each pay period prior to delivery of the paychecks and invoice. This report should be reviewed by department heads who should approve prior to preparation of payroll checks. We understand Management has requested PPI provide these reports for approval in the future.

While we recommend implementing these payroll processing changes, we did not become aware of any inappropriate payroll disbursements.

Finding No. 2 - Cash Disbursements

We noted some purchases were paid from vendor statements rather than from original invoices. Also, we noted that supporting invoices are not always canceled when paid. To reduce the risk of duplicate payment for purchases, we recommend vendors only be paid from original invoices, and that invoices be canceled with the date and check number when paid.

We also noted that the Hospital does not use receiving reports, and that there is no indication on invoices whether goods have actually been received prior to payment. We recommend Management consider using preprinted receiving reports or, at a minimum, receipt of goods be documented on the invoice prior to payment.

Our recommendations are designed to improve disbursement controls. Nothing came to our attention during the audit to indicate any misappropriations or duplicate payments.

Finding No. 3 - Accounts Receivable

Several matters came to our attention relating to accounts receivable that we considered to be significant. Management took a positive step in upgrading accounting software in November

1997 to a more suitable program for the healthcare industry. However, due to problems at conversion and changes in staff assignments, significant procedures have not been performed from conversion through the date of this report.

- **Patient Billing**

Patients and third-party payors have been billed at time of discharge or date of outpatient service. However, monthly follow-up statements were not produced for over 10 months. Subsequently, a significant bad debt write-off was required as of May 31, 1998. In addition to the direct financial impact, the ability to recoup bad debts related to third-party payors could be negatively affected. It is our understanding that statements were prepared and mailed in October, and Management's plan is to prepare and mail them monthly. We recommend this be done monthly in the future.

- **Reconciliation of Subsidiary Ledgers**

The accounts receivable subsidiary ledgers have not been reconciled to the general ledger. A significant adjustment was required at May 31, 1998, to reconcile the two. Without this reconciliation, intentional or unintentional errors could occur and not be detected. We understand that the necessary changes have been made to the system, and that procedures can now be put in place to perform this reconciliation daily.

- **Bad Debt Write-offs**

Currently, bad debts are written off primarily at year end. Additionally, no estimated provision for bad debts is being recorded monthly for estimated write-offs. We suggest Management record an estimated provision for bad debts each month and review and write off uncollectible accounts on a regular basis. This would provide more meaningful monthly financial statements and reduce the impact of year-end audit adjustments on the Hospital's operating results.

- **Collection Practices**

No formalized collection policies are in place at the Hospital. Implementation of detail procedures relating to how and when certain measures should be taken should significantly improve the collection and recovery of old patient accounts.

Finding No. 4 - Year 2000 Susceptibility

The Year 2000 Issue results from a computer's inability to process year/date data correctly beyond the year 1999. Except in recently introduced year 2000 compliant programs, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year in order to save hard disk space. Unless corrected, this shortcut is expected to create widespread problems on or before January 1, 2000. Computer programs which recognize dates as two digit fields may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether. The Year 2000 Issue is likely to affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the year 2000.

We recommend that Management take the necessary actions immediately to begin to identify any programs utilized by the Hospital that may not be year 2000 compliant. Additionally, we recommend that you take actions necessary to test all computer hardware such as workstations, network file servers and copy, fax machines, medical and other equipment, as they are also susceptible to year 2000 problems. Software is currently available to test computer hardware. This program should be monitored closely to completion before mission critical systems begin to fail. If Management fails to take timely and appropriate action, the Hospital may experience costly and significant application program failures that could prevent normal processing activities. Depending upon the extent of system failures, noncompliance could have catastrophic consequences.

Also, Management should implement additional verification procedures to test the accuracy of information received from their vendors, service providers, banks, customers, agencies and other third-party organizations with whom it exchanges date dependent information, because these organizations must also become year 2000 compliant. Management should also satisfy themselves that these third-party organizations will not experience problems relating to the Year 2000 Issue that could affect the Hospital's operations or cash flows.

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 on 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 reportable conditions described previously in this report, we consider the item entitled "Accounts Receivable" to be a material weakness.

This report is intended for the information of the Board of Commissioners, Management and the Office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Smith, Turner & Reeves

Jackson, Mississippi
September 18, 1998

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

**CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS**

YEAR ENDED MAY 31, 1998

<u>Reference No.</u>	<u>Description of Finding</u>	<u>Corrective Action</u>	<u>Contact Person</u>	<u>Anticipated Completion Date</u>
1	Payroll	Contract is signed and on file. PPI now sends a report that is reviewed and approved before checks are issued. This was started during the audit fieldwork.	LaDonna Englerth	July 1998
2	Cash Disbursements	In most instances, purchases are paid from invoices. Duplicate checks are used, a copy of which is attached to the invoices to prevent duplicate payments. There were a couple of cases where the check copy was not attached in the file. Copies of checks will be attached to all invoices paid.	LaDonna Englerth	July 1998
		Received goods will be documented by person receiving the goods on the shipping ticket or invoice.	LaDonna Englerth	November 1998
3	Accounts Receivable	Statements will be mailed monthly.	LaDonna Englerth	October 1998
		Accounts receivable ledgers will be balanced to the general ledger daily.	LaDonna Englerth	December 1998
		An estimated provision for bad debts is now being recorded monthly as of August 31, 1998, and uncollectible accounts will be written off on an ongoing basis.	LaDonna Englerth	December 1998
		Policies are being developed to establish formalized collection procedures and will be implemented this year.	LaDonna Englerth	March 1999

<u>Reference No.</u>	<u>Description of Finding</u>	<u>Corrective Action</u>	<u>Contact Person</u>	<u>Anticipated Completion Date</u>
4	Year 2000 Susceptibility	We have already on order from our computer software company the software package to make our general ledger package Y2K compliance.	LaDonna Englerth	September 1998
		We are currently assessing our systems that may be date sensitive and expect to have them fully Y2K compliant.	LaDonna Englerth	May 1999

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED MAY 31, 1998**

No audit findings were reported for the five months ended May 31, 1997.