

NEW ORLEANS HEALTH CORPORATION

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FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 1998

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

APR 28 1999

Release Date _____

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NEW ORLEANS HEALTH CORPORATION
(A Non-Profit Corporation)

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MEMBER
American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Orleans Health Corporation

I have audited the accompanying statement of financial position of New Orleans Health Corporation, hereafter NOHC (a nonprofit organization), as of June 30, 1998, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of NOHC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

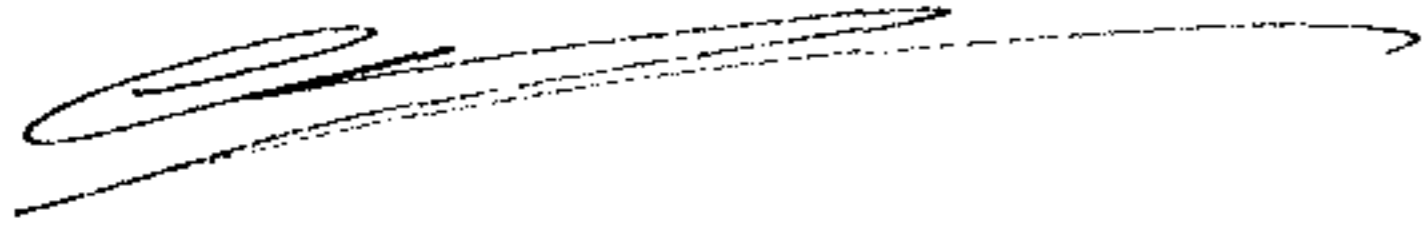
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NOHC as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in NOTE 7 to the financial statements, NOHC has not paid certain rents due to a lessor and is currently in negotiation to seek relief of the amounts due. The possible outcome of this matter is uncertain at this time.

In accordance with Government Auditing Standards, I have also issued my report dated April 1, 1999, on my consideration of NOHC's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of NOHC taken as a whole. The accompanying schedule of expenditures of federal awards 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Asif Gafur
Certified Public Accountant

April 1, 1999

NEW ORLEANS HEALTH CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

ASSETS

Cash and temporary investments	\$ 94,632
Temporary cash investment, restricted to secure note payable (NOTE 5)	76,285
	170,917
Accounts receivable, net of allowance for doubtful accounts of \$614,964 (NOTE 3)	239,357
Other assets	10,084
Property and equipment, net of accumulated depreciation of \$330,481 (NOTE 4)	955,730
Total assets	\$ 1,376,088

LIABILITIES AND NET ASSETS

Accounts payable	\$ 157,058
Other payable (NOTE 6)	523,492
Rents payable (NOTE 7)	592,148
Notes payable (NOTE 5)	110,842
Accrued liabilities	160,807
Deferred revenue (NOTE 8)	49,647
Total liabilities	1,593,994

CONTINGENCIES AND COMMITMENTS (NOTE 9)

Net Assets:	
Unrestricted (Note 11)	(217,906)
Total net assets	(217,906)
Total liabilities and net assets	\$ 1,376,088

The accompanying notes are an integral part of these
financial statements

NEW ORLEANS HEALTH CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998

	UNRESTRICTED
SUPPORT AND REVENUE	
Support	
Grants	\$ 1,249,227
Title XIX (Medicaid)	684,160
Title XVII (Medicare)	882,361
In-kind support (NOTE 2)	249,415
Total support	3,065,163
Revenue:	
Patient fees	354,710
Other	179,633
Total revenue	534,343
Total support and revenue	3,599,506
Expenses:	
Program services	2,501,797
Support services	1,021,129
Total expenses	3,522,926
Increase in net assets	76,580
Net assets, beginning of year	(294,486)
Net assets, end of year	\$ (217,906)

The accompanying notes are an integral part of these
financial statements

NEW ORLEANS HEALTH CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998

UNRESTRICTED

	Program Services	Support Services	Total (MEMORANDUM ONLY)
Salaries	\$ 1,732,600	\$ 306,924	\$ 2,039,524
Payroll taxes and employee benefits	141,038	33,443	174,481
Insurance	19,111	22,858	41,969
In-kind (NOTE 2)	167,745	81,670	249,415
Other	40,715	34,799	75,514
Professional services	194,928	82,435	277,363
Provision for bad debts	-0-	195,869	195,869
Rental	29,949	183,705	213,654
Repairs and maintenance	10,419	10,566	20,985
Supplies	91,725	6,583	98,308
Telephone	<u>22,375</u>	<u>24,456</u>	<u>46,831</u>
	2,450,605	983,308	3,433,913
Depreciation	<u>51,192</u>	<u>37,821</u>	<u>89,013</u>
Total	<u>\$ 2,501,797</u>	<u>\$ 1,021,129</u>	<u>\$ 3,522,926</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS HEALTH CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

Cash Flow from Operating Activities:	
Increase in net assets	\$ 76,580
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	89,013
Write-off of accounts receivable	(9,639)
Provision for bad debts	195,869
Changes in Assets and Liabilities	
Decrease (increase) in:	
Accounts receivable	(188,638)
Other assets	(8,184)
Increase (decrease) in:	
Accounts payable	45,745
Other payable	(260,692)
Notes payable	(12,231)
Accrued liabilities	(88,275)
Deferred revenue	(14,525)
Rents payable	206,716
Net cash provided by operating activities	31,739
Cash Flow from Investing Activities:	
Acquisition of property and equipment	(53,572)
Net cash used in investing activities	(53,572)
Cash Flows from Financing Activities:	
Financing of property and equipment	49,500
Net cash provided by financing activities	49,500
Increase in cash and cash equivalents	27,667
Cash and cash equivalents, beginning of year	143,250
Cash and cash equivalents, end of year	\$ 170,917

The accompanying notes are an integral part of these
financial statements

NEW ORLEANS HEALTH CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

Grantor	CFDA Number	Grant Expenditures
STATE OF LOUISIANA		
Department of Health and Hospitals (Women, Infants and Children)	93.808	\$ 266,555
Department of Health and Hospitals (Medical Center of Louisiana)	N/A	600,000
Department of Health and Hospitals Services passed through primary recipients	93.224	195,635
State of Louisiana passed through City of New Orleans New Orleans East Clinic	N/A	3,923
CITY OF NEW ORLEANS Ryan White	93.914	<u>284,326</u>
TOTAL		<u>\$1,350,439</u>

See Independent Auditor's Report

**NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS**

Note 1: Background and General Data:

New Orleans Health Corporation, hereafter NOHC, is a not-for-profit corporation formed in 1970 for the purpose of increasing the general level of health awareness to its patients with dignity and respect, regardless of race, age, religion, nationality or income. NOHC provides comprehensive, primary health care and social services through its three (3) community health centers. Those centers are:

Central City Health Center;
Lower Nine Health Center; and
Desire-Florida Health Center.

During the year ended June 30, 1998, NOHC, also administered the following grants and programs.

HIV Programs

These programs are funded by the Department of Health and Hospitals and the City of New Orleans to improve the quality and availability of health care and support services for individuals and families affected with HIV disease.

WIC Program

This program is funded by the Department of Health and Hospitals to provide special supplemental foods to qualified women, infants and children residing in the State of Louisiana.

Additionally, NOHC is an approved Medicare and Medicaid service provider. NOHC also provides Home Health Care services.

Principles of Accounting

The financial statements of NOHC are prepared in accordance with generally accepted accounting principles, and are prepared on the accrual basis.

**NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS**

Note 2: Summary of Significant Accounting Principles

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

Funding

NOHC receives its primary funding through Medicare and Medicaid cost reimbursements and grants from the State of Louisiana and the City of New Orleans, and other private donations.

In-Kind Support

During the year ended June 30, 1998, the value of in-kind support meeting the requirements for recognition in the NOHC's financial statements was \$249,415. These contributed services consisted of the fair value of personnel cost and related fringes which amounted to \$40,910, consultant salaries amounted to \$167,745, professional services amounted to \$24,387 and contributed office supplies amounted to \$16,373.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Accordingly, actual results could differ from those estimates.

Allowance for Losses

Allowance for estimated losses on receivables are provided when in the opinion of management, such losses are expected to be incurred.

**NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS**

Note 2: Summary of Significant Accounting Principles, Continued:

Property and Equipment

NOHC follows the practice of capitalizing all property and equipment expenditures over \$500. Property and equipment are stated at cost and depreciation is computed under the straight-line method for all depreciable assets over their respective useful lives estimated to be five (5) years.

Home Health Care Agency charges all property and equipment \$5,000 and under to expense in accordance with certain policies and procedures.

Compensated Absences

Employees of NOHC are entitled to paid vacation and sick leave accrued at a rate of 5.4 hours per month. Employees compensation for future compensated absences are approximately \$41,360 at June 30, 1998.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

For purposes of the statement of cash flows, NOHC considers all investments with original maturities of three months or less to be cash equivalents.

Credit Risk

NOHC maintains several cash balances at a financial institution. Amounts at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000.

**NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS**

Note 2: Summary of Significant Accounting Principles, Continued:

Income Taxes

NOHC is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Service Code.

Financial Statement Presentation

In June 1993, the Financial Accounting Standards Board (FASB) issued two (2) new pronouncements: Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made and SFAS No. 117, Financial Statements of Not-for-Profit Organizations.

Under SFAS No. 116, NOHC must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value. At June 30, 1998, there were no unconditional promises to give required to be recognized under SFAS No. 116.

Under SFAS No. 117, NOHC 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, NOHC is required to present a statement of cash flows.

Total Columns on Statements

The total column on the financial statements of this report is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Such data is not comparable to a consolidation.

NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Note 3: Accounts Receivable

The following represents an analysis for the allowance for doubtful accounts for the year ended June 30, 1998.

Balance at June 30, 1997	\$ 428,734
Add: Provisions for bad debts	195,869
Less: Write-off of bad debts	(9,639)
Balance at June 30, 1998	<u>\$ 614,964</u>

Note 4: Property and Equipment:

At June 30, 1998 property and equipment consisted of the following:

Land	\$ 675,000
Furniture and equipment	282,585
Automobiles	328,626
	1,288,211
Less: Accumulated depreciation	(330,481)
Total	<u>\$ 955,730</u>

Note 5: Notes Payable:

NOHC has a revolving credit agreement with a bank. The terms are as follows:

Monthly payments should be equal to the greater of a) \$150 or b) 1 ½% of the outstanding balance of principal and interest, at 1% plus Wall Street Journal Prime rate, secured by a \$ 76,285 temporary investment maturing on August 18, 1998. \$ 65,599

Subsequent to year-end the line of credit was converted to a note payable.

**NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS**

Note 5: Notes Payable:, Continued

NOHC has a note payable to a financial institution. The terms are as follows:

Monthly payments of \$1053.48, secured by a Medical Mobile Unit, interest rate at 10% per annum, matures on December 31, 2002.	\$ 45,243
Less: Current portion	(7,776)
Long-term debt	\$ 37,467

Note 6: Other Payable:

Other payable included amounts due to Title XIX (Medicaid) Program resulting from the final settlement of the Medicaid Cost report for the year ended June 30, 1993 and advances from Title XIX and Title XVII Programs.

In fiscal year ended June 30, 1998, NOHC paid the City of New Orleans \$26,803 for disallowance of reimbursed expenses by City Auditors for fiscal year ended June 30, 1997 and June 30, 1998. *

Note 7: Rents Payable:

Included in rents payable at June 30, 1998 is \$437,148 which represents rent due to the City of New Orleans for the year ended June 30, 1996, June 30, 1997 and June 30, 1998 for facilities owned by the City and leased via annual operating leases. Management has decided to pay the City based on its financial capabilities. During the year ended June 30, 1998 no payments were made to the City. The City has not demanded payment of the balance and NOHC is not financially capable of paying the rent currently, and is in negotiation with the City to seek relief of amounts due to the City.

Note 8: Deferred Revenue:

Deferred revenue at June 30, 1998 consists of the following:

Grant from State of Louisiana (New Orleans East Clinic) for which revenues will be recognized in subsequent year as the funds are expended	\$ 49,647
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**NEW ORLEANS HEALTH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS**

Note 8: Deferred Revenue:, Continued

On January 13, 1995, a Cooperative Endeavor Agreement between the State of Louisiana, the City of New Orleans and NOHC was executed for a project entitled "EAST NEW ORLEANS HEALTH CLINIC FOR THE NEW ORLEANS HEALTH CORPORATION LAND ACQUISITION, PLANNING AND CONSTRUCTION" containing an appropriation of \$2,250,000. Under this agreement, at June 30, 1998, \$779,000 was received by NOHC of which \$734,248 has been expended toward site acquisition and maintenance.

Note 9: Commitments and Contingencies:

NOHC leases administrative office space under an operating lease expiring August 31, 1998. Rental expense for the year ended June 30, 1998 under this lease was \$60,000. This lease is renewed annually.

Additionally, NOHC has annual operating leases with the City of New Orleans expiring on December 31, 1998 for each of three (3) clinics it operates. The terms of these leases provide for monthly payments of \$3 plus NOHC's pro rata share of the facility's operating expenses which amounts to \$12,140 for all three (3) clinics combined per month. Total annual rental expense pertaining to these leases amount to \$145,716.

Note 10: Deficit:

NOHC has \$217,906 in cumulative deficit. This deficit resulted from final Medicaid Cost Report Settlements for fiscal years ending June 30, 1992, June 30, 1993 and June 30, 1995, and operating deficit for fiscal year ended June 30, 1997.

Note 11: Fair Value of Financial Instruments:

The carrying amount approximates the fair value of cash and short-term financial instruments based on quoted market prices at June 30, 1998. Those financial instruments consist of cash, temporary cash investments and note payable at June 30, 1998.

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MEMBER
American Institute of Certified Public Accountants

**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
New Orleans Health Corporation

I have audited the financial statements of New Orleans Health Corporation, hereafter NOHC, (a nonprofit organization), as of and for the year ended June 30, 1998, and have issued my report thereon dated April 1, 1999. I conducted my 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.

As mentioned in the Auditor's Financial Report and discussed in Note 7 to the financial statements, NOHC has not paid certain rents due to a lessor and is currently in negotiation to seek relief of the amounts due. The possible outcome of this matter is uncertain at this time.

Compliance

As part of obtaining reasonable assurance about whether NOHC's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

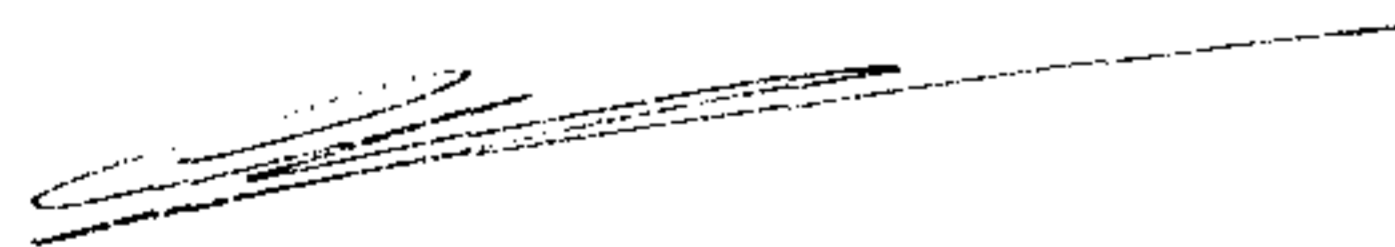
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Internal Control Over Financial Reporting

In planning and performing my audit, I considered NOHC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect NOHC'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.

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. My 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, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors, management, State of Louisiana, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Asif Gafur
Certified Public Accountant

April 1, 1999

ASIF GAFUR, M.B.A., M.S.

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MEMBER

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

To the Board of Directors
New Orleans Health Corporation

Compliance

I have audited the compliance of New Orleans Health Corporation, hereafter NOHC, (a nonprofit organization), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 1998. NOHC's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of NOHC's management. My responsibility is to express an opinion on NOHC's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I 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 NOHC's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of NOHC's compliance with those requirements.

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

As described in the accompanying schedule of findings and questioned costs, NOHC did not comply with requirements regarding reporting that are applicable to its Ryan White program. Compliance with such requirements is necessary, in my opinion, for NOHC to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, NOHC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. The results of my auditing procedures also disclosed other instances of noncompliance with those requirements, which 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.

Internal Control Over Compliance

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

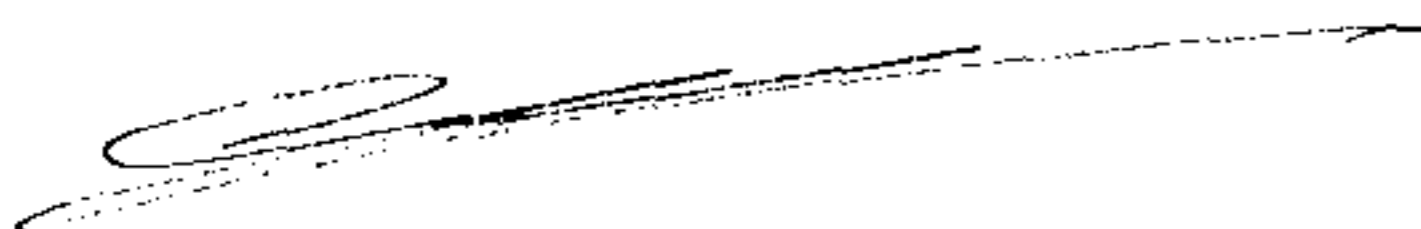
I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect NOHC's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters

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

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, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors, management, State of Louisiana, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



**Asif Gafur
Certified Public Accountant**

April 1, 1999

**NEW ORLEANS HEALTH CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998**

City of New Orleans - Ryan White - HIV

1. Reporting

Per my examination, I noted that monthly cost reimbursement requests for fiscal year ended June 30, 1998 were not reconciled to the general ledger amounts. Non-adherence to this procedure may have resulted in disallowance of \$12,452 of billed amounts for fiscal year ended June 30, 1998. This disallowance resulted from an audit conducted by City of New Orleans auditors.

I recommend that procedures should be implemented to reconcile cost reimbursement amounts to the general ledger.

Management Corrective Action Plan

Management has taken action and presently cost report amounts are periodically reconciled to the general ledger amounts.

Medicaid

2. Reportable Condition- Receivables

Per my examination, I noted subsidiary ledgers were not maintained that identifies the outstanding Medicaid receivable balance to a specific claim and/or billing that has either been denied or for which payment has not yet been received.

I recommend that NOHC's management implement procedures to identify the outstanding Medicaid receivable to a specific claim and/or billing.

Management Corrective Action Plan

Management stated as of July 1, 1998, a computerized system has been implemented to track Medicaid billing and payment activity by specific claim and/or billing. This system also tracks the outstanding Medicaid balance.

**NEW ORLEANS HEALTH CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998**

Patient Balances

3. Reportable Condition- Receivables

Per my examination, I noted no patient or patient aged accounts receivable trial balance is being maintained on a current basis that reconciles to the general ledger.

NOHC should maintain a patient and an aged patient accounts receivable trial balance that should be reconciled to the general ledger control account on a monthly basis.

Management Corrective Action Plan

Management stated that they concur with the above finding and have partially implemented a system. The system is gradually being implemented because of cost and time constraints.

Medicare, Medicaid and Patient Balances

4. Reportable Condition- Receivable

Per my examination, I noted Medicare, Medicaid and patient fees allowance for doubtful accounts balances were not periodically adjusted to reflect the current collectible outstanding balance.

I recommend that Medicare, Medicaid and patient fees allowance for doubtful accounts outstanding balances be periodically reviewed and adjusted to reflect the current collectible outstanding balance.

Management Corrective Action Plan

Management stated that previously the auditor was responsible for adjusting the Medicare, Medicaid and patient receivable balances. In the future, NOHC will periodically review and adjust the Medicare balances since a computerized system has been implemented to track Medicare billing and payment activity by specific claim and/or billing. Medicaid and

**NEW ORLEANS HEALTH CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998**

Medicare, Medicaid and Patient Balances- Continued

patient receivable balances will be periodically reviewed and adjusted when a computerized system to track Medicaid and patient billing and payment activity by specific claim and/or billing has been fully implemented.

All Programs

5. Timely Completion of the Audit of the Financial Statements

The audit was not completed within a six month period of the close of the fiscal year as required by state laws.

Management stated that NOHC was not able to timely engage an auditor because of changes in management personnel.

To achieve the objective that an audit be completed within six months of the close of the fiscal year, NOHC should engage the auditor in the early part of next fiscal year. Moreover, to improve audit efficiency all information requested by the auditor should be properly substantiated and efficiently submitted to the auditor.

Management Corrective Action Plan

Management plans, in the future, to engage an auditor in the early part of the next fiscal year.

**NEW ORLEANS HEALTH CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998**

City of New Orleans - Ryan White - HIV

1. Reporting

Monthly costs reimbursement requests for fiscal year ended June 30, 1998 were not reconciled to the general ledger amounts.

Current Status

Management has taken corrective actions and presently cost report amounts are periodically reconciled to the general ledger amounts.

2. Reporting

Monthly cost reimbursement reports submitted to the City of New Orleans for fiscal year ended June 30, 1997, were not properly documented and reviewed to substantiate the accuracy of the amounts reported.

Current Status

Presently, procedures have been implemented to review and properly substantiate the cost reports prior to submission to the funding agency.

3. Reportable Condition - Receivables

Instances of HIV billings not recorded in NOHC's books.

Current Status

Corrective actions have been taken to ensure all billing activities are properly recorded in the accounting records.

**NEW ORLEANS HEALTH CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998**

Medicare and Medicaid - Receivable

4. Reportable Condition- Receivable

Accounts receivable subsidiary ledger is not maintained that supports the outstanding Medicare/Medicaid receivable balance to a specific claim that has been denied or for which payment has not yet been received.

Current Status

The above has been implemented for Medicare program as of July 1, 1997 and for Medicaid program as of July 1, 1998.

Patient Balances

5. Reportable Condition - Receivable

No aged patient accounts receivable trial balance is being maintained on a current basis that reconciles to the general ledger.

Current Status

The system is gradually being implemented because of cost and time constraints.

Medicare, Medicaid and Patient Balances

6. Reportable Condition - Receivable

Medicare, medicaid and patient fees allowance for doubtful accounts were not periodically adjusted to reflect the current collectible outstanding balance.

**NEW ORLEANS HEALTH CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998**

Medicare, Medicaid and Patient Balances - Continued

Reportable Condition - Receivable - Continued

Current Status

NOHC will periodically review and adjust the Medicare balances since a computerized system has been implemented to track Medicare billing and payment activity by specific claim and/or billing. Medicaid and patient receivable balances will be periodically reviewed and adjusted when a computerized system to track Medicaid and patient billing and payment activity by specific claim and/or billing has been fully implemented.

All Programs

7. *Timely Completion of the Audit of the Financial Statements*

Audit was not completed within a six month period of the close of the fiscal year as required by state laws.

Current Status

For fiscal year ended June 30, 1999, an audit will be completed within a six month period of the close of the fiscal year.

8. *Subsidiary Ledgers and Journals*

Various subsidiary ledgers and journals prepared to support the balances in various general ledger accounts are prepared manually.

Current Status

NOHC is in the process of computerization of all subsidiary ledgers and journals.

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

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

To the Board of Commissioners
St. Tammany Parish Water District No. 2
Covington, Louisiana

We have audited the financial statements of the St. Tammany Parish Water District No. 2 as of and for the years ended December 31, 1998 and 1997 and have issued our report thereon dated March 1, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. We conducted our audits in accordance with generally accepted auditing 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 St. Tammany Parish Water District No. 2'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 St. Tammany Parish Water District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Rural and Economic Development Office and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Huval & Associates, L.L.C.

March 1, 1999