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**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS**

**Financial Report  
For the Year Ended June 30, 1999**

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 FEB 09 2000.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 1999**

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Luffey  
Huffman  
& Monroe

(A Professional Accounting Corporation)  
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA  
Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA  
Carolyn A. Clarke, CPA

## INDEPENDENT AUDITORS' REPORT

**The Board of Commissioners  
G. B. Cooley Hospital  
for Retarded Citizens  
West Monroe, Louisiana**

We have audited the accompanying component unit financial statements of **G. B. Cooley Hospital for Retarded Citizens** (a component unit of the Ouachita Parish Police Jury - the Hospital), as of June 30, 1999, and for the year then ended, as listed in the accompanying Table of Contents. These financial statements are the responsibility of management of the Hospital. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 1999 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Board of Commissioners  
G. B. Cooley Hospital for  
Retarded Citizens**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Hospital. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the financial statements of the Hospital.



(A Professional Accounting Corporation)

**October 21, 1999**

**FINANCIAL STATEMENTS**

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
BALANCE SHEETS**

|   | <b>June 30,</b> |              |
|---|-----------------|--------------|
|   | <b>1999</b>     | <b>1998</b>  |
| <b>ASSETS</b>   |                 |              |
| <b>Current Assets</b>   |                 |              |
| Cash and Cash Equivalents   | \$ 1,072,340    | \$ 1,103,536 |
| Investments   | 2,031,612       | 2,097,877    |
| Interest Receivable   | 32,051          | 39,000       |
| Receivables, Net of Allowance for<br>Doubtful Accounts of \$166,147 and \$100,995 | 882,168         | 841,521      |
| Inventory   | 2,530           | 2,694        |
| Prepaid Items   | 44,885          | 61,691       |
| Total Current Assets  | 4,065,586       | 4,146,319    |
| <b>Restricted Assets</b>  |                 |              |
| Cash - Cottage Life Funds   | 6,677           | 9,652        |
| <b>Property and Equipment, Net</b>  | 1,576,830       | 1,464,703    |
| <b>Other Assets</b>   |                 |              |
| Medical Self - Insurance Deposit  | 36              | 36           |
| Deposit on Property and Equipment   | -               | 42,250       |
| Total Other Assets  | 36              | 42,286       |
| <b>TOTAL ASSETS</b>   | \$ 5,649,129    | \$ 5,662,960 |

The accompanying notes are an integral part of these financial statements.

|  | <b>June 30,</b>     |                     |
|--|---------------------|---------------------|
|  | <u>1999</u>         | <u>1998</u>         |
| <b>LIABILITIES AND FUND EQUITY</b>                       |                     |                     |
| <b>Current Liabilities</b>                               |                     |                     |
| Accounts Payable   | \$ 369,382          | \$ 146,882          |
| Individuals' Funds Liability                             | 95,005              | 78,077              |
| Accrued Payroll  | 139,833             | 121,365             |
| Withholding and Payroll Taxes Payable                    | -                   | 2,936               |
| Other Payroll Deductions and Retirement Benefits Payable | 46,493              | 19,082              |
| Accrued Vacation and Sick Pay, Current Portion           | 423,727             | 353,730             |
| Total Current Liabilities                                | <u>1,074,440</u>    | <u>722,072</u>      |
| <b>Long - Term Liabilities</b>                           |                     |                     |
| Accrued Vacation and Sick Pay, Net of Current Portion    | <u>40,711</u>       | <u>34,594</u>       |
| Total Liabilities  | 1,115,151           | 756,666             |
| <b>Fund Equity</b>                                       |                     |                     |
| Contributed Capital:                                     |                     |                     |
| Governmental Units                                       | 1,742,544           | 1,742,544           |
| Others   | 50,400              | 50,400              |
| Total Contributed Capital                                | <u>1,792,944</u>    | <u>1,792,944</u>    |
| Retained Earnings:                                       |                     |                     |
| Reserved for Cottage Life Funds                          | 6,677               | 9,652               |
| Unreserved   | 2,734,357           | 3,103,698           |
| Total Retained Earnings                                  | <u>2,741,034</u>    | <u>3,113,350</u>    |
| Total Fund Equity  | <u>4,533,978</u>    | <u>4,906,294</u>    |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>                 | <u>\$ 5,649,129</u> | <u>\$ 5,662,960</u> |

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS-BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 1999**

|                                   | <b>Budget</b> | <b>Actual</b> | <b>Variance -<br/>Favorable<br/>(Unfavorable)</b> |
|-----------------------------------|---------------|---------------|---|
| <b>Operating Revenues</b>         |               |               |   |
| Charges for Services:             |               |               |   |
| Intergovernmental Revenues        |               |               |   |
| State of Louisiana                |               |               |   |
| Title XIX Residential Program     | \$ 6,863,555  | \$ 6,691,353  | \$ (172,202)                                      |
| Title XIX Waiver Program          | 695,389       | 770,231       | 74,842  |
| Supervised Apartments Program     | 23,000        | 23,534        | 534   |
| Adult Rehabilitation Program      | 54,770        | 56,125        | 1,355   |
| Vocational Rehabilitation Program | -             | 23,617        | 23,617  |
| Federal                           |               |               |   |
| Preschool Enrichment Program      | 58,023        | 59,550        | 1,527   |
| Total Intergovernmental Revenues  | 7,694,737     | 7,624,410     | (70,327)  |
| Private Revenues                  |               |               | -   |
| Residential Program               | 373,274       | 371,350       | (1,924)   |
| Early Intervention Center         | 85,490        | 89,776        | 4,286   |
| Total Private Revenues            | 458,764       | 461,126       | 2,362   |
| Other Services Revenues           |               |               |   |
| Employment Services               | 136,042       | 113,197       | (22,845)  |
| School Food Services              | 13,941        | 14,308        | 367   |
| Total Other Services Revenues     | 149,983       | 127,505       | (22,478)  |
| Total Operating Revenues          | 8,303,484     | 8,213,041     | (90,443)  |
| <b>Operating Expenses</b>         |               |               |   |
| Salaries                          | 6,000,000     | 6,040,254     | (40,254)  |
| Benefits                          | 985,000       | 1,021,048     | (36,048)  |
| Supplies                          | 225,000       | 231,487       | (6,487)   |
| Travel and Mileage                | 140,000       | 136,448       | 3,552   |
| Food                              | 220,000       | 210,647       | 9,353   |
| Facility                          | 600,000       | 616,371       | (16,371)  |
| Insurance                         | 260,000       | 199,181       | 60,819  |
| Leisure                           | 25,000        | 13,859        | 11,141  |
| Professional Fees                 | 725,000       | 682,865       | 42,135  |
| Bad Debts                         | 20,000        | 76,280        | (56,280)  |
| Depreciation                      | 282,000       | 299,719       | (17,719)  |
| Total Operating Expenses          | 9,482,000     | 9,528,159     | (46,159)  |
| <b>Operating Loss</b>             | (1,178,516)   | (1,315,118)   | (136,602)   |

(Continued)



**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS-BUDGET (GAAP BASIS) AND ACTUAL (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 1999**

|   | <u>Budget</u>       | <u>Actual</u>       | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|---|---------------------|---------------------|---|
| <b>Nonoperating Revenues and Expenses</b>                       |                     |                     |   |
| Ad Valorem Tax Revenues   | 731,864             | 750,881             | 19,017  |
| Interest Income   | 135,840             | 139,414             | 3,574   |
| Cottage Life, Excess of Expenses<br>over Contributions Received | -                   | (2,975)             | (2,975)   |
| Miscellaneous Income  | 9,729               | 64,740              | 55,011  |
| Gain (Loss) on Disposal of Property and Equipment               | 1,083               | (9,258)             | (10,341)  |
| Excess of Nonoperating Revenues<br>Over Nonoperating Expenses   | <u>878,516</u>      | <u>942,802</u>      | <u>64,286</u>                                     |
| <b>Net Loss</b>   | (300,000)           | (372,316)           | (72,316)  |
| <b>Retained Earnings at Beginning of Year</b>                   | <u>3,113,350</u>    | <u>3,113,350</u>    | <u>-</u>  |
| <b>RETAINED EARNINGS AT END OF YEAR</b>                         | <u>\$ 2,813,350</u> | <u>\$ 2,741,034</u> | <u>\$ (72,316)</u>                                |

The accompanying notes are an integral part of this financial statement.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 1999**

|  |                     |
|--|---------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |
| Operating Loss   | \$ (1,315,118)      |
| Adjustments to Reconcile Operating Loss to<br>Net Cash Used by Operating Activities: |                     |
| Depreciation   | 299,719             |
| Provision for Bad Debts  | 65,152              |
| Change in Current Assets and Liabilities:  |                     |
| Interest Receivable  | 6,949               |
| Receivables  | (105,799)           |
| Inventory  | 164                 |
| Prepaid Items  | 16,806              |
| Accounts Payable   | 222,500             |
| Client Funds Liability   | 16,928              |
| Accrued Payroll Payable  | 18,468              |
| Withholding and Payroll Taxes Payable  | (2,936)             |
| Other Payroll Deductions Payable   | 27,411              |
| Accrued Vacation and Sick Leave Payable  | 76,114              |
| Total Adjustments  | <u>641,476</u>      |
| Net Cash Used by Operating Activities  | (673,642)           |
| <b>Cash Flows From Noncapital Financing Activities</b>                               |                     |
| Tax Revenues   | 750,881             |
| Contributions - Cottage Life, Net of Expense   | (2,975)             |
| Miscellaneous Income   | 64,740              |
| Net Cash Provided by Noncapital Financing Activities                                 | <u>812,646</u>      |
| <b>Cash Flows From Capital and Related Financing Activities</b>                      |                     |
| Proceeds from Sale of Property and Equipment   | 3,836               |
| Acquisition of Property and Equipment  | (382,690)           |
| Net Cash Used by Capital Investment Activities                                       | <u>(378,854)</u>    |
| <b>Cash Flows From Investing Activities</b>  |                     |
| Interest Income  | 139,414             |
| Maturities of Investments  | 66,265              |
| Net Cash Provided by Investing Activities  | <u>205,679</u>      |
| <b>Decrease in Cash and Cash Equivalents</b>   | (34,171)            |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                                | <u>1,113,188</u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                      | <u>\$ 1,079,017</u> |
| <b>CASH AND CASH EQUIVALENTS SHOWN ON BALANCE SHEET AS:</b>                          |                     |
| <b>Current Assets:</b>   |                     |
| Cash and Cash Equivalents  | \$ 1,072,340        |
| <b>Restricted Assets:</b>  |                     |
| Cash - Cottage Life Funds  | <u>6,677</u>        |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>   | <u>\$ 1,079,017</u> |

The accompanying notes are an integral part of this financial statement.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**Note 1 - Summary of Significant Accounting Policies**

*A. History*

G. B. Cooley Hospital for Retarded Citizens (the Hospital) is a training facility that provides twenty-four hour care for the mentally retarded. The Hospital was created April 11, 1962, by Ordinance Number 7127 of the Ouachita Parish Police Jury. The Hospital provides all basic needs for each individual, including speech therapy, occupational therapy, physical therapy, psychological services and vocational training services. The vocational training objective is to teach individuals vocational skills in order that they may be eligible for community employment.

The Hospital is a component unit of the Ouachita Parish Police Jury because the Police Jury appoints the Board and there is the potential for the Hospital to provide specific financial benefits to or impose specific financial burdens on the Ouachita Parish Police Jury. Each member of the Board of Commissioners must be a qualified voter and resident of the Hospital Service District. The Board of Commissioners consists of seven members, each appointed to a six-year term. The members receive a travel allowance of \$25 per meeting attended.

*B. Basis of Accounting and Presentation*

The accompanying component unit financial statements of the Hospital have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Hospital uses the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. With regard to it's proprietary activities, the Hospital has elected not to apply Financial Accounting Standards Board statements and interpretation issued since November 30, 1989 unless they are adopted by the GASB.

*C. Budgets and Budgetary Accounting*

The Hospital follows these procedures in establishing the budgetary data reflected in these financial statements:

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

1. At least thirty days prior to the beginning of the fiscal year, the Administrator submits to the Board of Commissioners a proposed operating and capital budget for the succeeding year.
2. A public hearing is scheduled by the Board of Commissioners after allowing for at least ten days notice to the public at the time the budget is initially submitted to the Board of Commissioners.
3. The final budget must be adopted by the Board of Commissioners no later than fifteen days before the beginning of the fiscal year.
4. Any subsequent revisions requiring alteration of levels of expenditures or transfers between functions must be approved by the Board of Commissioners and subjected to public hearing procedures as explained above.
5. Operating appropriations, to the extent not expended, lapse at year-end. Capital appropriations continue in force until the project is completed.

*D. Cash Equivalents*

For purposes of the Statement of Cash Flows, the Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*E. Receivables - Bad Debts*

The Hospital has established an Allowance for Doubtful Accounts based on management's assessment of ultimate collectability of older outstanding receivables.

*F. Inventory*

Inventory consists primarily of various maintenance and purchasing supplies. The inventory is recorded at the lower of cost or market using the first-in, first-out (FIFO) method.

*G. Property and Equipment*

Fixed assets are recorded at cost, if purchased, or at fair market value, if donated.

The original land and buildings where the Hospital is operating are owned by the Ouachita Parish Police Jury and are leased to the Hospital. They are not recorded

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

on the books. All improvements are reflected on the books, at cost, under leasehold improvements. The Hospital has acquired additional land and buildings, which are recorded on the books at cost.

The Hospital computes depreciation using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives used to compute depreciation are as follows:

|                         |               |
|-------------------------|---------------|
| Buildings               | 20 - 25 Years |
| Leasehold Improvements  | 20 - 25 Years |
| Furniture and Equipment | 5 - 20 Years  |
| Vehicles                | 4 Years       |

Maintenance and repairs are charged to operations; significant betterments are capitalized. The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts and the resulting gain or loss is included in income.

*H. Reserves of Retained Earnings*

Some portion of retained earnings is reserved to indicate that a portion of the fund equity is restricted for a specific future use and is not available for appropriation or expenditure.

*I. Comparative Data*

Comparative data for the prior year has been presented in the accompanying balance sheet in order to provide an understanding of changes in the Hospital's financial position.

*J. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Hospital 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

*K. Reclassifications*

Minor reclassifications to the financial statements have been made to make them comparable with the current year presentation.

**Note 2 - Cash and Cash Equivalents**

Cash and cash equivalents consisted of the following:

|  | June 30,            |                     |
|--|---------------------|---------------------|
|  | 1999                | 1998                |
| Current Assets:                        |                     |                     |
| Cash on Hand, and in Bank              |                     |                     |
| Checking and Savings Deposits          | \$ 903,340          | \$ 1,103,536        |
| Short-Term Bank Time Deposits          | 169,000             | -                   |
| Total Current Assets                   | 1,072,340           | 1,103,536           |
| Restricted Assets:                     |                     |                     |
| Checking Deposits – Cottage Life Funds | 6,677               | 9,652               |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b> | <b>\$ 1,079,017</b> | <b>\$ 1,113,188</b> |

Cash on hand and in bank checking and savings deposits includes individuals' funds. See Note 8.

**Note 3 - Cash and Cash Equivalents and Investments**

At June 30, 1999, the carrying amount of the Hospital's deposits (checking, savings, short-term time deposits and long-term time deposits) and the corresponding bank balances were as follows:

|                               | Balance per         |                     |
|-------------------------------|---------------------|---------------------|
|                               | Hospital            | Bank                |
| Checking and Savings Accounts | \$ 907,942          | \$ 1,006,276        |
| Short-Term Bank Time Deposits | 169,000             | 169,000             |
| Investments                   | 2,031,612           | 2,039,813           |
| <b>TOTAL</b>                  | <b>\$ 3,108,554</b> | <b>\$ 3,215,089</b> |

Statutes require the Hospital to obtain sufficient collateral from financial institutions whenever the Hospital's deposits at the institution exceed the insured amount.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

The Hospital has \$3,215,089 in deposits (collected bank balances) as of June 30, 1999, of which \$884,568 was secured from risk by federal deposit insurance (GASB 3 - Category 1). The balance of \$2,330,521 of the deposits are secured with pledged securities totaling \$1,447,129 held by the custodial bank in the name of the Hospital on behalf of the fiscal agent bank (GASB 3 - Category 2) and investments in United States Treasury Bills totaling \$883,392.

In accordance with GASB Statement No. 31, investments of the Hospital are stated at amortized cost, which approximates market value at June 30, 1999. GASB-31 states that U. S. Treasury obligations that have a remaining maturity at time of purchase of one year or less may be stated at amortized cost.

**Note 4 - Receivables**

Receivables consisted of the following:

|  | June 30,   |            |
|--|------------|------------|
|  | 1999       | 1998       |
| State of Louisiana:                                    |            |            |
| Title XIX – Residential                                | \$ 697,333 | \$ 733,957 |
| Contractual Services                                   | 294,269    | 151,829    |
| Individuals’ Patient Liability                         | 33,285     | 29,414     |
| Other Receivables                                      | 23,428     | 27,316     |
| Total Receivables                                      | 1,048,315  | 942,516    |
| Less: Allowance for Doubtful Accounts                  | (166,147)  | (100,995)  |
| Receivables, Net of Allowance<br>for Doubtful Accounts | \$ 882,168 | \$ 841,521 |

Of the 1999 and 1998 receivable balances, ninety-five and ninety-four percent, respectively was due from governmental agencies. The Hospital's contracts are primarily with governmental agencies. Therefore, a majority of the Hospital's revenue is derived from governmental sources.

Accounts receivable at June 30, 1999 and 1998 include \$66,356 of Contractual Services receivables from the year ended June 30, 1995 which have not been collected. The entire amount has been fully reserved in the Allowance for Doubtful Accounts.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**Note 5 - Property and Equipment**

Property and Equipment consisted of the following:

|                                     | June 30,            |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | 1999                | 1998                |
| Buildings                           | \$ 370,656          | \$ 350,656          |
| Furniture, Fixtures and Equipment   | 1,354,820           | 1,147,303           |
| Motor Vehicles                      | 944,676             | 978,791             |
| Leasehold Improvements              | 2,022,963           | 1,946,412           |
| Total Property and Equipment        | 4,693,115           | 4,423,162           |
| Accumulated Depreciation            | (3,359,273)         | (3,166,447)         |
| Net Depreciable Assets              | 1,333,842           | 1,256,715           |
| Land                                | 242,988             | 207,988             |
| <b>TOTAL PROPERTY AND EQUIPMENT</b> | <b>\$ 1,576,830</b> | <b>\$ 1,464,703</b> |

Depreciation expense was \$299,719 and \$297,927 for the years ended June 30, 1999 and 1998, respectively.

**Note 6 - Risk Financing Activities**

Through its primary government, the Ouachita Parish Police Jury, the Hospital participates in a self-funded program (the fund) for potential losses under general liability, property and fleet coverage and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 which is paid by the Hospital. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy picks up all losses over the \$150,000 deductible with an aggregate coverage of \$2,000,000. The fund has approximately \$3,400,000 in assets at December 31, 1998. The Hospital contributed approximately \$200,000 into the fund during the year ended June 30, 1999.

**Note 7 - Deferred Compensation Plan**

The Hospital offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all Hospital employees, permits them to defer a portion of their salaries until future years. The Hospital does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death.



**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

Effective January 1, 1999, the deferred compensation plan was modified to comply with legislative requirements passed by Congress in 1996. As a result of the modifications, the Internal Revenue Code (IRC) Section 457 deferred compensation plan is held in trust and administered for the employees by an appointed plan administrator. The plan administrator invests the plan assets at the direction of plan participants. The plan's participants have the risk of loss from declines in the plan assets. G B. Cooley Hospital has no fiduciary responsibilities and the plan assets are not available to general creditors of the Hospital. Therefore, under GASB Statement NO. 32, the IRC Section 457 plan is not presented in the financial statements of the Hospital.

**Note 8 - Individuals' Funds Liability**

Individuals' funds are maintained in accounts as follows:

|                          | June 30,  |           |
|--------------------------|-----------|-----------|
|                          | 1999      | 1998      |
| Cash on Hand and in Bank | \$ 95,005 | \$ 78,077 |

Individuals' funds on hand and in banks are included in Cash and Cash Equivalents for balance sheet presentation. See Note 2.

G. B. Cooley Hospital is required under Title XIX to maintain cash which is the property of the individuals for their personal use. The amount of the individuals' cash is reflected in the individuals' funds liability account.

**Note 9 - Compensated Absences**

Employees of the Hospital earn vacation pay in varying amounts ranging from 10 to 25 working days per year depending upon length of service. Vacation hours must be used within 24 months of the date they were earned or they will be forfeited, unless approved by the appropriate director and/or the administrator. Subject to the above limitations, unused vacation is paid to an employee upon retirement, separation, or death at hourly rates being earned by that employee upon separation. Both full-time and part-time employees accrue sick leave according to a written formula. Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. Except upon retirement, a terminated employee shall not be compensated for unused sick leave. Upon retirement, an employee shall be compensated up to a maximum of 60 days at a rate of pay averaged over the previous five years.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

Accrued vacation and sick pay, including applicable salary related payments, consisted of:

|                       | June 30,   |            |
|-----------------------|------------|------------|
|                       | 1999       | 1998       |
| Accrued Vacation      | \$ 403,502 | \$ 341,342 |
| Accrued Sick Pay      | 60,936     | 46,982     |
| Totals                | 464,438    | 388,324    |
| Less: Current Portion | (423,727)  | (353,730)  |
| LONG-TERM PORTION     | \$ 40,711  | \$ 34,594  |

**Note 10 - Employee Benefit Plans**

Effective January 1, 1996 the Hospital adopted The G.B. Cooley Hospital For Retarded Citizens Retirement Plan (the Plan), a defined contribution retirement plan pursuant to Section 401(a) of the Internal Revenue Code. The Plan is administered by a bank trust department as a third-party trustee. The following information is intended to be a brief summary of certain Plan provisions; participants should consult the Plan document for detailed information relating to the provisions of the Plan. The Plan covers all employees of the Hospital who have attained the age of 18 and have completed one year of eligibility service. The Hospital may make employer contributions each year at the discretion of management; participants may contribute up to 10% of their annual compensation. Employer contributions vest to the participants in full after the participant attains 5 or more years of service credit (a year in which the participant achieves at least 1,000 hours of service). Normal retirement age under the Plan is age 65. Benefits at retirement are payable in the form of a lump-sum distribution or in periodic payments as provided by the Plan.

The Hospital contributed \$180,823 and \$65,903 to the Plan for the years ended June 30, 1999 and 1998, respectively.

**Note 11 - Property Taxes**

Property taxes are levied on real and business personal property located within the boundaries of Ouachita Parish. The Ouachita Parish Tax Assessor, an elected official, determines the fair market value of all property subject to taxation, except public service properties, which are valued by the Louisiana Tax Commission. The fair market values determined by the Assessor are subject to review and approval of the Louisiana Tax Commission.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

Property taxes are levied on a portion of fair market value as follows:

|   |     |
|---|-----|
| Land and Improvements for Residential Purposes -----    | 10% |
| Machinery, Industrial and Commercial Improvements ----- | 15% |
| Public Service Properties, Excluding Land -----         | 25% |

The Assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

The Sheriff of Ouachita Parish is the official tax collector of property taxes levied by the parish and special districts within the Parish. Therefore, the Sheriff collects the property taxes for the Hospital. The 1998 property tax calendar was as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Assessment                          | January 1, 1998   |
| Levy Date                           | November 15, 1998 |
| Total Taxes Are Due                 | December 31, 1998 |
| Penalties and Interest Were Added   | January 1, 1999   |
| Lien Date                           | January 1, 1999   |
| Tax Sale – 1998 Delinquent Property | May 29, 1999      |

Property taxes are recorded as revenue when they become available and measurable. Property taxes are considered measurable when levied. Generally, all taxes are collected before the end of the Hospital's June 30 fiscal year end; consequently, there are seldom any property taxes receivable at year end.

**Note 12 - Commitments**

*A. Contract and Agreement*

On October 18, 1977, the Hospital entered into an agreement with the Ouachita Parish Police Jury to jointly construct, renovate and provide for the operation and maintenance of the facility known as the G. B. Cooley Hospital for Retarded Citizens. The agreement requires that the Hospital maintain and operate the facilities for the exclusive purpose of caring for, treating, housing and otherwise attending to the needs of retarded citizens who are residents of Ouachita Parish and non-residents, after the needs of Ouachita Parish residents are fulfilled. Either party may construct improvements to the Hospital at its own cost and the improvements are subject to the terms of the agreement. The terms of the agreement are effective until January 1, 2002, or until terminated by either party.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

*B. Leases*

*1. Community Homes*

The Walnut, Shannon, South Grand, Spurgeon and Texas Street Community Homes are leased from the Monroe Housing Authority. The monthly rental, calculated by the Monroe Housing Authority, is based on the amount of each individual's social security benefits. G. B. Cooley Hospital is billed monthly. The lease was executed on February 16, 1984, and will terminate after 40 years. The minimum future rentals cannot be determined and therefore minimum future rentals disclosures for noncancellable operating leases are not disclosed.

Other community homes are leased from individuals for varying amounts ranging from \$650 to \$1,075 monthly, expiring at various dates through 2003.

*2. Waiver Program*

The Hospital leases an office at 1007 Gould Drive, Bossier City, Louisiana, for Waiver Case Management Office. The lease term is for February 5, 1999 through February 5, 2002 at \$750 per month.

The following schedule represents annual lease expense:

| <u>For Year Ended</u> | <u>Annual<br/>Lease Expense</u> |
|-----------------------|---------------------------------|
| 2000                  | \$ 103,300                      |
| 2001                  | \$ 70,300                       |
| 2002                  | \$ 41,500                       |
| 2003                  | \$ 12,025                       |

Rent expense for the year ended June 30, 1999 was \$163,084 and includes \$58,653 in lease payments to the Monroe Housing Authority.

**Note 15 - Commissioners' Fees**

Members of the Board of Commissioners are paid a \$25 per month travel allowance for each board meeting attended. Payments for the year ended June 30, 1999, were as follows:

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

| Commissioner                | Travel<br>Allowance Paid |
|-----------------------------|--------------------------|
| Sallie G. Caulfield         | \$ 225                   |
| Chester Halley              | 75                       |
| Lois Hoover                 | 175                      |
| Ellen Johnson               | 175                      |
| Frederick C. McHenry        | 175                      |
| Josie C. Roberts            | 200                      |
| Perry Thomas                | 175                      |
| Total Travel Allowance Paid | \$ 1,200                 |

**Note 16 - Contingencies**

There are several pending lawsuits in which the Hospital is involved. The Hospital's administration and attorneys are of the opinion that the potential claims against the Hospital, resulting from litigation, would not materially affect the financial position of the Hospital at June 30, 1999. The Hospital's administration is of the opinion that all potential claims, resulting from litigation, are covered by insurance.

The Hospital has two Letters of Credit for \$50,000 each for the benefit of the State of Louisiana Department of Health and Hospitals. The Letter of Credit, which cost \$1,000, are effective for May 12, 1999 through June 30, 2000.

The worldwide challenge facing organizations, commonly referred to as the Year 2000 (Y2K) issue, is the result of problems that may be encountered with date-related transactions on systems that have historically recognized years using two digits vs. four digits, e.g. 99 versus 1999. These systems will potentially recognize the "00" as the year 1900 instead of 2000. On the surface, the Y2K problem sounds simple enough; however, the implications of this problem are far reaching and could impact a full range of business services and activities.

The Hospital has conducted a study of its own systems and operations. Based on this study, the Hospital has initiated a project to take all necessary and reasonable steps to get the mission critical systems and operations Y2K compliant in a timely manner. The project will include confirming the Y2K preparedness of significant third parties.

The assessment of the timetable for the planned completion of the internal Y2K modifications, are management's estimates. The estimates were based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

**OTHER SUPPLEMENTARY INFORMATION**

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
SCHEDULE OF COMMUNITY LIVING REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 1999**

**SCHEDULE 1**

|  |         | SHANNON   | SPURGEON | SOUTH GRAND | WALNUT  | TEXAS   | TRENTON | GARRETT ROAD |
|--|---------|-----------|----------|-------------|---------|---------|---------|--------------|
| <b>Operating Revenues</b>                            |         |           |          |             |         |         |         |              |
| Charges For Services:                                |         |           |          |             |         |         |         |              |
| Intergovernmental Revenues:                          |         |           |          |             |         |         |         |              |
| State of Louisiana                                   | \$      | 254,557   | 265,940  | 265,336     | 256,350 | 254,986 | 287,681 | 258,648      |
| Title XIX  | -       | -         | -        | -           | -       | -       | -       | -            |
| Private Revenues:                                    |         |           |          |             |         |         |         |              |
| Daily Service  | -       | 16,803    | 13,778   | 24,674      | 21,164  | 19,272  | 1,707   | 20,249       |
| Total Operating Revenues                             | -       | 271,360   | 279,718  | 290,010     | 277,514 | 274,258 | 289,388 | 278,897      |
| <b>Operating Expenses</b>                            |         |           |          |             |         |         |         |              |
| Salaries   | 205,652 | 106,622   | 114,590  | 111,525     | 98,381  | 116,061 | 106,563 | 99,480       |
| Supplies   | 128     | 6,603     | 6,767    | 5,820       | 10,344  | 7,130   | 7,177   | 5,306        |
| Travel and Mileage                                   | -       | 1,410     | 2,773    | 1,813       | 1,737   | 1,347   | 1,139   | 1,569        |
| Food   | -       | 8,614     | 8,548    | 7,999       | 8,555   | 8,740   | 8,521   | 8,814        |
| Facility and Maintenance                             | -       | 18,191    | 18,663   | 18,076      | 19,230  | 18,086  | 16,600  | 18,461       |
| Professional Services                                | -       | 25,774    | 24,636   | 25,362      | 24,025  | 24,473  | 24,304  | 25,708       |
| Leisure  | -       | 622       | 359      | 357         | 588     | 281     | 757     | 746          |
| Total Operating Expenses                             | 205,780 | 167,836   | 176,336  | 170,952     | 162,860 | 176,118 | 165,061 | 160,084      |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b> | \$      | (205,780) | 103,382  | 119,058     | 114,654 | 98,140  | 124,327 | 118,813      |

(continued)

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
SCHEDULE OF COMMUNITY LIVING REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 1999**

**SCHEDULE 1 (CONCLUDED)**

|  | <u>PARKER<br/>ROAD</u> | <u>LATHAM<br/>LANE</u> | <u>SUE<br/>DRIVE</u> | <u>PRAIRIE<br/>ROAD</u> | <u>ARKANSAS<br/>ROAD</u> | <u>NORRIS<br/>LANE</u> | <u>TENNESSEE<br/>STREET</u> | <u>HIGHWAY<br/>15</u> | <u>TOTAL</u>        |
|--|------------------------|------------------------|----------------------|-------------------------|--------------------------|------------------------|-----------------------------|-----------------------|---------------------|
| <b>Operating Revenues</b>                                |                        |                        |                      |                         |                          |                        |                             |                       |                     |
| Charges For Services:                                    |                        |                        |                      |                         |                          |                        |                             |                       |                     |
| Intergovernmental Revenues:                              |                        |                        |                      |                         |                          |                        |                             |                       |                     |
| State of Louisiana                                       |                        |                        |                      |                         |                          |                        |                             |                       |                     |
| Title XIX  | \$ 255,216             | \$ 200,246             | \$ 271,693           | \$ 282,443              | \$ 290,586               | \$ 182,851             | \$ 270,491                  | \$ 254,745            | \$ 3,851,769        |
| Private Revenues:  |                        |                        |                      |                         |                          |                        |                             |                       |                     |
| Daily Service  | 6,964                  | 77,194                 | 27,316               | 17,945                  | 2,490                    | 2,882                  | 22,640                      | 32,240                | 307,318             |
| <b>Total Operating Revenues</b>                          | <b>262,180</b>         | <b>277,440</b>         | <b>299,009</b>       | <b>300,388</b>          | <b>293,076</b>           | <b>185,733</b>         | <b>293,131</b>              | <b>286,985</b>        | <b>4,159,087</b>    |
| <b>Operating Expenses</b>                                |                        |                        |                      |                         |                          |                        |                             |                       |                     |
| Salaries   | 123,644                | 121,717                | 99,452               | 154,171                 | 105,653                  | 83,357                 | 118,904                     | 110,985               | 1,876,757           |
| Supplies   | 8,540                  | 6,301                  | 4,450                | 4,998                   | 9,623                    | 4,220                  | 6,180                       | 6,642                 | 100,229             |
| Travel and Mileage                                       | 2,771                  | 1,899                  | 3,388                | 2,744                   | 2,088                    | 1,664                  | 2,914                       | 2,091                 | 31,257              |
| Food   | 7,794                  | 8,569                  | 8,562                | 8,065                   | 8,518                    | 5,810                  | 8,191                       | 7,972                 | 123,272             |
| Facility and Maintenance                                 | 20,644                 | 25,845                 | 19,278               | 20,373                  | 19,757                   | 12,538                 | 6,250                       | 18,931                | 270,923             |
| Professional Services                                    | 23,157                 | 25,905                 | 24,655               | 24,061                  | 24,551                   | 15,961                 | 24,413                      | 23,866                | 360,851             |
| Leisure  | 727                    | 734                    | 574                  | 432                     | 1,029                    | 153                    | 741                         | 459                   | 8,559               |
| <b>Total Operating Expenses</b>                          | <b>187,277</b>         | <b>190,970</b>         | <b>160,359</b>       | <b>214,844</b>          | <b>171,219</b>           | <b>123,703</b>         | <b>167,593</b>              | <b>170,856</b>        | <b>2,771,848</b>    |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENSES</b> | <b>\$ 74,903</b>       | <b>\$ 86,470</b>       | <b>\$ 138,650</b>    | <b>\$ 85,544</b>        | <b>\$ 121,857</b>        | <b>\$ 62,030</b>       | <b>\$ 125,538</b>           | <b>\$ 116,129</b>     | <b>\$ 1,387,239</b> |



**SUPPLEMENTARY INFORMATION - GRANT ACTIVITY**

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 1999**

| Federal Grants or Pass-Through<br>Grantor/Program Title                                  | C.F.D.A.<br>Number | Grant<br>Assistance<br>ID Number | Award<br>Amount  | Expenditures     |
|--|--------------------|----------------------------------|------------------|------------------|
| U.S. Department of Education<br>LA Department of Education<br>Early Intervention Program | 84.181             | 28-98-H4 SVSC                    | \$ 84,240        | \$ 59,550        |
| <b>TOTAL FEDERAL AWARDS</b>  |                    |                                  | <u>\$ 84,240</u> | <u>\$ 59,550</u> |

See Notes to Schedule of Expenditures of Federal and State Awards.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 1999**

| <u>Grantor/Program Title</u>   | <u>Grant Assistance ID Number</u> | <u>Award Amount</u> | <u>Expenditures</u> |
|--|-----------------------------------|---------------------|---------------------|
| State of Louisiana<br>Office of Human Services<br>Department of Health and Hospitals<br>Division of Mental Retardation<br>Developmental Disabilities:<br>Supervised Apartments Program | OCDD 000147                       | \$ 24,922           | \$ 23,534           |
| Adult Habilitation   | OCDD 000156                       | <u>57,745</u>       | <u>56,125</u>       |
| <b>TOTAL STATE AWARDS</b>  |                                   | <u>\$ 82,667</u>    | <u>\$ 79,659</u>    |

See Notes to Schedule of Expenditures of Federal and State Awards.

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
NOTES TO SCHEDULES OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS  
JUNE 30, 1999**

**A. General**

The preceding Schedules of Expenditures of Federal and State Awards present the activity of all Federal and state financial assistance programs of G. B. Cooley Hospital for Retarded Citizens (the Hospital). The Hospital reporting entity is defined in Note 1 to the Hospital's financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards. However, the preceding schedules do not include any Title XIX or Waiver funds.

**B. Basis of Accounting**

The Schedules of Expenditures of Federal and State Awards are presented using the accrual basis of accounting, which is described in Note 1 to the Hospital's financial statements.

**C. Relationship of the Schedules of Expenditures of Federal and State Awards to the Financial Statements**

Federal and State Awards Revenues are included in intergovernmental revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings - Budget (GAAP Basis) and Actual. Intergovernmental revenue consists of the following:

|   | <u>Residential</u>  | <u>Title XIX</u>  | <u>Federal</u>   | <u>State</u>      | <u>Total<br/>Intergovern-<br/>mental</u> |
|---|---------------------|-------------------|------------------|-------------------|--|
| Residential   | \$ 6,691,353        | \$ -              | \$ -             | \$ -              | \$ 6,691,353                             |
| Waiver Program  | -                   | 770,231           | -                | -                 | 770,231                                  |
| Supervised<br>Apartments                              | -                   | -                 | -                | 23,534            | 23,534                                   |
| Adult Rehabilitation<br>Early Intervention<br>Program | -                   | -                 | -                | 56,125            | 56,125                                   |
| Vocational<br>Rehabilitation                          | -                   | -                 | 59,550           | -                 | 59,550                                   |
|   | -                   | -                 | -                | 23,617            | 23,617                                   |
|   | <u>\$ 6,691,353</u> | <u>\$ 770,231</u> | <u>\$ 59,550</u> | <u>\$ 103,276</u> | <u>\$ 7,624,410</u>                      |

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

**The Board of Commissioners  
G. B. Cooley Hospital for Retarded Citizens  
West Monroe, Louisiana**

We have audited the financial statements of **G. B. Cooley Hospital for Retarded Citizens** (the Hospital) as of and for the year ended June 30, 1999, and have issued our report thereon dated October 21, 1999. We conducted our audit 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 the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

**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*. However, we did note certain immaterial instances of noncompliance that we have reported to management of the Hospital in a separate letter dated October 21, 1999.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 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

**The Board of Commissioners  
G. B. Cooley Hospital for Retarded Citizens  
West Monroe, Louisiana**

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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Hospital in a separate letter dated October 21, 1999.

This report is intended for the information of management of the Hospital, awarding agencies and pass-through entities, other entities granting funds to the Hospital and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

October 21, 1999

**G. B. COOLEY HOSPITAL FOR RETARDED CITIZENS  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 1999**

**INTERNAL CONTROL STRUCTURE**

| <b>PRIOR YEAR FINDING</b>  | <b>STATUS</b> |
|--|---------------|
| Need to post waiver accounts receivable and revenue to general ledger on a timely basis. | Cleared       |

**MANAGEMENT LETTER**

| <b>PRIOR YEAR FINDING</b>  |         |
|----------------------------|---------|
| Employee recognition event | Cleared |



(A Professional Accounting Corporation)  
CERTIFIED PUBLIC ACCOUNTANTS

Luffey  
Huffman  
& Monroe

John L. Luffey, MBA, CPA  
Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA  
Carolyn A. Clarke, CPA

## MANAGEMENT LETTER

### To Board of Commissioners G. B. Cooley Hospital for Retarded Citizens

In planning and performing our audit of the financial statements of **G. B. Cooley Hospital for Retarded Citizens** (the Hospital) as of June 30, 1999, and for the year then ended, certain matters came to our attention which we believe should be conveyed to the Hospital. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 21, 1999, on the financial statements.

### Cash Disbursements for Goods and Services

#### Finding:

Twenty-five cash disbursements for goods and services were examined to determine that the Hospital's purchasing policies were being followed. In the absence of the accounts payable clerk, several employees assisted in accounts payable and cash disbursements for goods and services. With the retirement of the accounts payable clerk, the Hospital hired a replacement accounts payable clerk during the year ended June 30, 1999. Due to the change in personnel in the accounts payable clerk position, the following deficiencies were found:

**Evidence of Receipt:** The Hospital's policy requires that the employee receiving goods initial the invoice or other supporting documents as evidence of receipt. One item in the sample of twenty-five cash disbursements did not bear an employee's initials as evidence that the goods were received by the Hospital.

**Effective Cancellation of Paid Invoices:** The Hospital's policy requires that the invoice be stamped as "Paid", and that the date paid and check number be recorded on the invoice. Two items in the sample of twenty-five cash disbursements were not effectively cancelled to prevent duplicate payment.

**Inappropriate Expense Code:** Property tax expense was charged to Professional Fees expense, rather than Facility expense.



**Authorized Signature:** The Hospital's policy requires that when a check is signed by only one of three authorized signers, the supporting documentation will be reviewed and initialed in arrears by another of the authorized signers as evidence that the accuracy of the check has been verified. Two checks in the sample of twenty-five cash disbursements were signed by one authorized check signer, and the documentation for these does not bear an initial as evidence that the checks were reviewed in arrears by another authorized check signer.

**Recommendation:**

It is recommended that employees processing accounts payable and cash disbursements for goods and services be properly trained and supervised.

**Management's Corrective Action Plan:**

Employees processing accounts payable and cash disbursements will be properly trained and supervised.

**Cash Disbursements for Payroll**

**Finding:**

We selected a sample of twenty-five payroll items to examine to determine that the Hospital's payroll policies were being followed. The Hospital had several payroll clerks during the year ended June 30, 1999. Due to the change in personnel, the following deficiencies were found:

**Inadequate Approval of Supervisor's Payroll Report:** The Hospital's payroll policy requires that the Supervisor's payroll report be signed as approved by both the Department Supervisor and the Team Director prior to submission to the payroll office. In the sample of twenty-five cash disbursements for payroll, thirteen Supervisor's payroll reports were not signed by both the Department Supervisor and the Team Director prior to submission to the payroll office.

**Time Cards Do Not Agree With Supervisor's Payroll Report:** Three instances were noted where the hours worked on the employee time card did not agree with the hours reported on the Supervisor's payroll report.

On February 4, 1999, the Supervisor's payroll report reflected one-half hour more than was indicated on the employee time card. The employee was paid the additional one-half hour.

**Board of Commissioners**  
**G. B. Cooley Hospital for Retarded Citizens**  
**Page 3**

On May 27, 1999 payroll, the employee time card indicated the employee began working at 10:00 AM and stopped at 11:00 AM. The employee recorded eleven hours worked. The Supervisor's payroll report indicated one hour worked. There is no indication on the time card to determine which was correct, the 11:00 AM time out for one hour worked, or whether the employee worked eleven hours and reported the time out incorrectly.

On April 29, 1999 payroll, the employee indicated fifty-six hours worked on the time card. The Supervisor's payroll report indicated forty and one-half hours. The employee was paid for forty and one-half hours. There was no indication on the time card that fifty-six hours was incorrect, nor was the payroll clerk able to locate an additional payment to the employee to correct the hours paid .

***Personnel File Does Not Document Cafeteria Plan Payroll Deduction:*** In the sample of twenty-five cash disbursements for payroll, one instance was noted where the employee's personnel file did not contain support for the amount being deducted for an insurance policy. The personnel file contained documentation for a deduction of \$1.54 and the amount deducted from payroll was \$17.97.

**Recommendation:**

It is recommended that payroll personnel be properly trained and supervised.

The payroll clerk should follow the Hospital's payroll policy which requires that the Supervisor's payroll report be signed by the Department Supervisor and Team Director prior to submission to the payroll office.

The Department Supervisor should resolve differences between the employee time card and the Supervisor's payroll report prior to submitting the payroll report to the payroll office. The employee time card should bear evidence of correction of errors and the employee should initial the correction on the time card.

The personnel department receives a copy of the payroll deductions report for each payroll period. The personnel department should verify that the amount deducted is correct and is supported by documentation in the employee's personnel file. Any discrepancies should be investigated by the personnel department and the payroll clerk should be advised of any corrections needed.

**Management's Corrective Action Plan:**

Management's corrective action plan will include reviewing our process, training all persons involved in payroll, and evaluation of our supervision of payroll activities.

**Inappropriate Expense Code**

**Finding:**

Several changes were made to the chart of accounts for the year ended June 30, 1999. The expense account code is indicated on the purchase requisition by the purchasing department. The code is written on the invoice by the accounts payable clerk and then recorded in the general ledger by the accounts payable clerk. The accountant reviews the general ledger monthly and corrects coding errors when they are noticed.

During tests of expenses, several instances were noted in which an expense was classified to an inappropriate expense account:

Trenton Street lease expense of \$750 for July, 1998 was inappropriately classified as Texas Street lease expense. Although facility maintenance, which includes lease expense, in total was not misstated, the Trenton Street and Texas Street community home cost reports would have been misstated.

Latham Street lease expense of \$1,075 for June, 1999 was inappropriately classified as Latham Street leisure expense. Facility maintenance, which includes lease expense, was understated and leisure expense was overstated.

Accounting department contract services for maintenance expenses inappropriately included the \$6,302 expense for a temporary payroll clerk and a clerical technician. These amounts should have been classified as professional fees rather than maintenance expenses. As a result of this coding error, facility maintenance expense, which include maintenance expense, was overstated and professional fees expense was understated.

Accounting department contract services for maintenance expenses inappropriately included \$1,100 for grant consulting services expenses that should have been classified as professional fees rather than maintenance expenses. As a result of this coding error, facility maintenance expense, which include maintenance expense, was overstated and professional fees expense was understated.

An expense for \$4,327 roof repair was inappropriately classified as clothing expense for individual needs. The expense should have been charged to maintenance expense. As a result supplies expense, which included clothing expense for individual needs was overstated and facility maintenance was understated.

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An expense of \$1,039 for annual fire extinguisher inspection was charged to supplies expense and should have been charged to maintenance expense. As a result supplies expense was overstated and facility maintenance was understated.

**Recommendation:**

It is recommended that a current chart of accounts be prepared and distributed to all employees in the accounting and purchasing departments, along with the CEO and Director of Administrative Services. All employees with coding responsibilities should be trained to use the current chart of accounts. It is recommended that the general ledger be reviewed each month, and that coding errors be corrected promptly. Personnel responsible for the coding errors should be made aware of the error and trained to correctly code the transaction.

**Management's Corrective Action Plan:**

All employees in accounting, purchasing and accounts payable will be further trained to use the current chart of accounts. The accountant will review the general ledger and discuss coding errors with the accounts payable clerk. The accounts payable clerk will be advised of the proper codes.

**Employee Portion of Health Insurance**

**Finding:**

During tests of health insurance expense, it was noted that the Hospital was not collecting the employee portion of the health insurance premium from two employees for several pay periods during the year ended June 30, 1999. Upon discovery of the error, the Hospital was able to collect \$833 from one employee. The amount not collected from the second employee totaled \$611 and it has been determined that the Hospital will not be able to collect this amount. It appears that personnel changes were made in the personnel department and that the new employee was not trained to check the payroll deductions register.

**Recommendation:**

It is recommended that the personnel department employee be trained to compare the payroll deductions register to the health insurance invoice to determine that the correct amount is being withheld from each employee's payroll. The personnel department employee should also be trained to advise the payroll department when errors are discovered. The payroll department should make appropriate corrections on the next payroll.

**Management's Corrective Action Plan:**

The personnel assistant will check and verify the insurance deduction from each payroll deductions register and will compare the deduction to the invoice. The personnel assistant *has been trained to advise the payroll department when errors are discovered.*

**Insurance Reimbursements for Damage to Property**

**Finding:**

Insurance proceeds in the amount of \$75,400 for damage to property were inappropriately classified as a liability.

**Recommendation:**

Insurance proceeds for damage to property should be classified as a reduction in maintenance expense to the extent of the cost of the repairs. Any amounts in excess of the cost of repairs should be classified as income.

**Management's Corrective Action Plan:**

Effective July 1, 1999, all insurance reimbursements are being applied to the appropriate income or expense account.

**Off Campus Event and Seminar Expenses**

**Finding:**

The Hospital's travel advance policy requires that the staff requesting the cash advance submit an "Off Campus Event and Seminar Approval" for travel advances. The policy requires that conferences requiring overnight stay have lodging reservations made in advance to determine the exact amount to be advanced. Upon returning, the employee must submit an "Advancement Form" with receipts attached. Any amounts advanced in excess of actual expenses should be returned to the Hospital within five days of returning from the conference. If payment by the employee is not made within a timely manner, the Team Director will be notified of delinquent payment and the employee will be subject to disciplinary action.

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In testing travel expenses, five travel advance instances were found that did not comply with the Hospital's travel advance policy:

1. In four of the five travel advance instances, an employee submitted an "Off Campus Event and Seminar Approval" request for travel advance to attend meetings, including a Special Olympics meeting, an Urban Affairs conference, and a Capital Outlay Project meeting. The travel advance request form was not signed by the employee who requested the travel advances. However, the travel advances were approved by either the CEO or Director of Administrative Services, and the travel advances were paid to the employee.
2. In all five travel advance instances, the employee did not submit the "Advancement Form" with receipts attached as required by the Hospital's policy. There is no evidence that the Hospital followed its policy of subjecting the employee to disciplinary action for failure to submit the "Advancement Form" with receipts attached within five days of returning from travel.
3. In one of the five travel advance instances, the travel advance request included an amount for lodging. The travel advance request does not include documentation of advance lodging reservations for over night stay, as is required by the Hospital's policy.

**Recommendation:**

It is recommended that the Hospital not grant travel advances in the absence of the employee's signature as evidence that the employee is requesting the advance.

*It is recommended that the Hospital insure that the "Advancement Form" with receipts attached is received from employees in accordance with the Hospital's policy. When the employee does not comply with the five day period in which to submit the "Advancement Form" with receipts attached, it is recommended that the Hospital follow through with disciplinary action.*

It is recommended that the Hospital investigate to determine whether the expenses should have been covered by another organization, such as the Special Olympics Board.

**Management's Corrective Action Plan:**

When any G. B. Cooley employee is involved or participates with another organization or is a representative of G. B. Cooley to another organization, and requests any financial support, whether in whole or in part, G. B. Cooley will send a request to that organization to determine the level of support, in any, for which that organization is liable.

G. B. Cooley will ensure that the advancement form, with receipts attached, is received from employees in accordance with the applicable Hospital policy.



**(A Professional Accounting Corporation)**

**October 21, 1999**