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**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE SEVENTEEN MONTHS ENDED
FEBRUARY 29, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 2-16-05

Skarda & Silva, L.L.P.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rapides Primary Health Care Center, Inc.

We have audited the accompanying statement of financial position of Rapides Primary Health Care Center, Inc. as of February 29, 2004, and the related statements of activities, functional expenses and cash flows for the seventeen months then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. Those standards and OMB Circular A-133 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 financial statements referred to above present fairly, in all material respects, the financial position of Rapides Primary Health Care Center, Inc., as of February 29, 2004, and the changes in its net assets and its cash flows for the seventeen months then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note G, Rapides Primary Health Care Center, Inc., filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code effective May 10, 2002, and was authorized to continue managing and operating the business as a debtor in possession subject to the control and supervision of the Bankruptcy Court. On November 19, 2003, the Bankruptcy Court granted approval for the Center's request to close the bankruptcy proceedings.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2005, on our consideration of Rapides Primary Health Care Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Rapides Primary Health Care Center, Inc., taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*, 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, to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Sandra K. Silver, CPA". The signature is written in dark ink and is positioned above the date.

January 25, 2005

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
FEBRUARY 29, 2004

ASSETS

Current Assets

Cash	\$ 11,493
Patient accounts receivable, net of allowance of \$4,613	323,338
Employee advances	<u>13,443</u>
Total current assets	348,274
Property and equipment, net of accumulated depreciation of \$346,423	<u>1,076,319</u>
Total Assets	<u><u>\$ 1,424,593</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 64,918
Payroll taxes payable	84,818
Other liabilities	51,172
Current maturities of long-term debt	<u>51,247</u>
Total current liabilities	252,155
Long-term debt, net of current maturities	<u>361,241</u>
Total liabilities	613,396
Net Assets	<u>811,197</u>
Total Liabilities and Net Assets	<u><u>\$ 1,424,593</u></u>

The accompanying notes are an integral part of this statement.

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE SEVENTEEN MONTHS ENDED FEBRUARY 29, 2004**

UNRESTRICTED NET ASSETS

Revenues and Support

Patient service revenue	\$ 1,764,710
Federal grants	698,500
State grants	25,000
Other income	13,526
Interest income	<u>36</u>
Total revenues and support	2,501,772

Expenses

Asthma collaborative	34,465
Computer expenses	19,852
Consulting fees	145,088
Continuing education and training	10,467
Depreciation	121,410
Dues and fees	64,063
Employee benefits	149,904
Employee incentives	10,890
Hospital and lab fees	7,242
Insurance	57,322
Interest	2,102
Legal and professional	45,055
Marketing	8,582
Miscellaneous	4,619
Office expense	57,985
Payroll taxes	120,017
Penalties	2,247
Repair and maintenance	43,076
Salaries	1,485,188
Supplies	68,786
Telephone	41,588
Travel	32,554
Utilities	<u>26,844</u>

Total expenses 2,559,346

Change in unrestricted net assets (57,574)

Net assets - beginning 868,771

Net assets - ending \$ 811,197

The accompanying notes are an integral part of this statement.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SEVENTEEN MONTHS ENDED FEBRUARY 29, 2004

	Program Services			Total
	Medical Services	Dental Services	Program Services	
Asthma collaborative	\$ 34,465	-	\$ 34,465	-
Computer expenses	9,926	4,963	14,889	4,963
Consulting fees	114,620	27,567	142,187	2,902
Continuing education and training	5,234	2,617	7,851	2,617
Dues and fees	34,594	14,734	49,328	14,734
Employee benefits	65,958	38,975	104,933	44,971
Employee incentives	545	-	545	10,346
Hospital and lab fees	2,535	4,707	7,242	-
Insurance	36,686	18,343	55,029	2,293
Interest	1,408	694	2,102	-
Legal and professional	18,473	7,209	25,682	22,978
Marketing	5,750	2,832	8,582	-
Miscellaneous	2,310	1,155	3,465	1,155
Office expense	28,993	14,496	43,489	14,496
Payroll taxes	62,409	20,403	82,812	37,205
Penalties	-	-	-	2,247
Repair and maintenance	21,538	10,769	32,307	10,769
Salaries	802,002	267,334	1,069,336	415,853
Supplies	34,393	27,514	61,907	6,879
Telephone	20,794	10,397	31,191	10,397
Travel	16,277	8,139	24,416	8,139
Utilities	13,422	6,711	20,133	6,711
Total expense before depreciation	1,332,332	489,559	1,821,891	619,655
Depreciation	60,705	30,353	91,058	30,353
	<u>\$1,393,037</u>	<u>\$519,912</u>	<u>\$1,912,949</u>	<u>\$ 650,008</u>
				<u>\$ 34,465</u>
				19,852
				145,088
				10,467
				64,063
				149,904
				10,890
				7,242
				57,322
				2,102
				45,055
				8,582
				4,619
				57,985
				120,017
				2,247
				43,076
				1,485,188
				68,786
				41,588
				32,554
				26,844
				2,437,936
				121,410
				\$2,559,346

The accompanying notes are an integral part of this statement.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE SEVENTEEN MONTHS ENDED FEBRUARY 29, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in unrestricted net assets	\$(57,574)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operations	
Depreciation	121,410
Bankruptcy fees included as note payable	17,241
(Increase) decrease in operating assets	
Patient accounts receivable	(180,852)
Employee advances	(13,443)
Increase (decrease) in operating liabilities	
Accounts payable	1,342
Bank overdraft	(1,957)
Accrued expenses	<u>120,926</u>
Net cash provided by (used in) operating activities	7,093

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of fixed assets	(43,328)
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	50,000
Principal payments on long-term debt	<u>(11,525)</u>
	<u>38,475</u>

Net increase (decrease) in cash and cash equivalents	2,240
Cash and cash equivalents - beginning of period	<u>9,253</u>
Cash and cash equivalents - end of period	<u><u>\$ 11,493</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid for the period	<u><u>\$ 9,236</u></u>
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The accompanying notes are an integral part of this statement.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Rapides Primary Health Care Center, Inc. (the “Center”) was organized under the provisions of R.S. 1950 Title 12, Chapter 2, in the Non-Profit Corporations Book of the State of Louisiana.

The Center is organized to provide efficient and effective health care through the operation of a health deliver system designed to meet the medical needs of the community i.e., early detection diagnosis, and treatment of illnesses and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civilly and socially. The Center provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The area served is Central Louisiana. The services are provided through an outpatient Center with a referral program, health education, and limited medical services for hospitalization.

Effective March 1, 2002, the Center received a notice of grant award from the Department of Health and Human Services – Health Resources & Services Administration. The U.S. Public Health Service Act’s Section 330 Grant authorizes the Center to automatically qualify as a Federally Qualified Health Center (FQHC). The FQHC status designates the Center as a unique type of health care provider. It requires Medicaid and Medicare to cover the beneficiaries of certain health care services and to reimburse the entity at reasonable cost.

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The accompanying financial statements of the Center present the financial position and changes in net assets of the unrestricted fund. All activities of the Center are included in these financial statements.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Unrestricted Net Assets

Accounts for resources that can be expended currently. This represents the part of the net assets that have not been restricted for identified purposes by donors and grantors. Unrestricted net assets also include assets whose use is contractually limited.

Budget

A budget outlining grant awards, program revenues and expenses is submitted prior to the start of each fiscal year for approval by the Board of Directors. Budget amendments and changes in state grant spending are allowed by prior approval from the Board of Directors.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Property and Equipment

Property and equipment are recorded at cost for purchased assets or at fair market value on the date of any donation. Depreciation is provided in the financial statements over the estimated useful lives of the depreciable assets on the straight-line basis. The following estimated useful lives are generally used:

Building	40 years
Furniture and fixtures	5-20 years
Equipment	5-15 years
Software	3-5 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs and charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited as charged to operations currently.

Compensated Absences

Rapides Primary Health Care Center's employees are entitled to paid vacation depending on length of service. Upon separation of employment, employees who have completed a year of service will be reimbursed for unused vacation hours upon proper notice and satisfactory performance. At February 29, 2004, employees had vested vacation hours with vesting vacation benefits of \$1,559, which are reflected in the financial statements.

Uncollectible Accounts

The Center estimates an allowance for uncollectible accounts receivable based on prior experience of management.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all demand deposits and time deposits with an initial maturity of three months or less to be cash equivalents.

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to the taxation as unrelated business income. In addition, the Center qualified for the charitable contribution deduction under Section 190(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Expense Allocation

Functional expenses are allocated among the various program services, and general and administrative categories based on actual use or management's best estimate.

NOTE B – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Center maintains its cash balances in a financial institution located in Alexandria, Louisiana that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Center's cash balances were not in excess of the FDIC insurance at February 29, 2004. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE C – FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Center's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 10,911	\$ 10,911
Patient receivables	\$323,338	\$323,338

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – the carrying amount approximates fair value because of the short maturities of those instruments.

Patient receivables – the carrying amount approximates fair value because of the short maturities of those instruments.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at February 29, 2004:

Building	\$1,029,324
Equipment and fixtures	330,105
Computer software	<u>35,274</u>
	1,394,703
Accumulated depreciation	<u>(346,423)</u>
	1,048,280
Land	<u>28,039</u>
	<u>\$1,076,319</u>

For the seventeen months ended February 29, 2004, depreciation expense was \$121,410.

NOTE E – RETIREMENT PLAN

A SIMPLE-IRA plan was established by the Center on August 28, 2002. The Plan is a tax-deferred retirement plan where each employee establishes an IRA account the both employee and employer contributions are deposited. The Center makes matching contributions up to 3% of an employee's compensation. For the seventeen months ended February 29, 2004, the Center incurred \$32,156 in pension expense which is recorded in employee benefits.

NOTE E – NOTES PAYABLE

Notes payable at February 29, 2004, consists of the following:

Note payable with Bank One at 6% interest, payable in 120 installments of principal and interest of \$1,927, secured by equipment and real estate	\$168,264
Note payable with Rapides Finance Authority at 6% interest, payable in 120 installments of principal and interest of \$2,225, secured by equipment and real estate	194,224
Note payable with Rapides Healthcare System, LLC at 5% interest, payable In 24 installments of principal and interest of \$2,248, secured by accounts receivable and equipment	<u>50,000</u>
	<u>\$412,488</u>

Both Bank One and Rapides Finance Authority have obtained judgments against the Clinic due to default. On November 19, 2003, the Center, Bank One, and Rapides Authority agreed to refinance the notes payable in default and the Bankruptcy Court granted approval to close the bankruptcy proceedings.

RAPIDES PRIMARY HEALTH CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – THIRD PARTY REVENUES

A substantial share of revenues for medical services to clients is derived under federal and state third-party reimbursement programs. These revenues are based, in part, on cost-based reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party providers. Retroactive adjustments, if any, would not be material to the financial position or results of operations of the Center.

NOTE G – CONTINGENCIES

The Center's management evaluates contingencies based upon the best available evidence. The Center believes that no allowance for loss contingencies is considered necessary. The principal contingencies are described below:

Grant Awards

The ability of the Center's continued operations is contingent upon continued funding from the Department of Health and Human Services, Section 330 grant. The grant has been approved for the following fiscal year.

Chapter 11, Bankruptcy Filing

On May 10, 2002, the Center filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating the business as a debtor in possession subject to the control and supervision of the Bankruptcy Court. On November 19, 2003, the Bankruptcy Court granted approval for the Center's request to close the bankruptcy proceedings.

SUPPLEMENTAL INFORMATION

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
 SCHEUDLE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE SEVENTEEN MONTHS ENDED FEBRUARY 29, 2004**

<u>Program Name</u>	<u>Federal CFDA #</u>	<u>Pass-through Grantor</u>	<u>Grant #</u>	<u>Total Federal Expenditures</u>
Bureau of Primary Health Care Cluster	93.224	N/A	1 H80CS00244-03	<u>\$ 698,500</u>
Total Expenditures of Federal Awards				<u><u>\$ 698,500</u></u>

See independent auditors' reports.

OTHER INDEPENDENT AUDITORS' REPORT

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND
OFFICE OF MANAGEMENT
AND BUDGET (OMB) CIRCULAR A-133**

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

We have audited the financial statements of Rapides Primary Health Care Center, Inc. as of and for the seventeen months ended February 29, 2004, and have issued our report thereon dated January 25, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Rapides Primary Health Care Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Rapides Primary Health Care Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 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.

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 the finance committee, management, the Department of Health and Human Services, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Stade & Silvers, LLP
January 25, 2005

Skarda & Silva, L.L.P.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133

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

We have audited the compliance of Rapides Primary Health Care Center, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the seventeen months ended February 29, 2004. Rapides Primary Health Care Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rapides Primary Health Care Center, Inc.'s management. Our responsibility is to express an opinion on Rapides Primary Health Care Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rapides Primary Health Care Center, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rapides Primary Health Care Center, Inc.'s compliance with those requirements.

In our opinion, Rapides Primary Health Care Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the seventeen months ended February 29, 2004.

Internal Control over Compliance

The management of Rapides Primary Health Care Center, Inc. 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 our audit, we considered Rapides Primary Health Care Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the finance committee, management, the Department of Health and Human Services, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


January 25, 2005

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE SEVENTEEN MONTHS ENDED FEBRUARY 29, 2004**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified
 Internal control over financial reporting:
 Material weaknesses identified? yes X no
 Reportable conditions identified?
 not considered to be material weaknesses? X yes no
 Noncompliance material to financial statements
 noted? yes X no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? yes X no
 Reportable conditions identified?
 not considered to be material weaknesses? yes X no

Type of auditors' report issued on compliance
 for major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510 (a)? yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.224 Section 330, Public Health Service Act

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

Auditee qualified as low-risk audit? yes X no

Section II - Internal Control & Compliance
Governmental Auditing Standards
OMB Circular A-133

Internal Control

<u>Item Number</u>	<u>Criteria</u>
2004-1	<p>LSA RS 24:513(A)(5)(a) requires that all audits shall be complete within six months of the close of the entity's fiscal year. Because of the change in management and significant time incurred to have accounting for the new fiscal year end the auditor was unable to complete the audit within the six months of the close of the entity's fiscal year.</p> <p><u>Condition</u></p> <p>Change in management and matters relating to bankruptcy delayed the accounting and management to comply with LSA RS 24:513(A)(5)(a).</p> <p><u>Cause</u></p> <p>Change in management and bankruptcy negotiations.</p> <p><u>Effect</u></p> <p>Federal funding and state funding may be delayed until matter is rectified.</p> <p><u>Recommendation</u></p> <p>Ensure completion of the accounting well in advance for the auditor to complete the audit within the six months of the close of the entity's fiscal year end.</p> <p><u>Corrective Action Planned</u></p> <p>With the change in management and several issues relating to bankruptcy, negotiations with the federal funding agency, and various other issues the accounting and preparation for the auditors was not timely. For the next year, the accounting and audit preparation will be prepared well in advance for the auditor to complete the audit within the six months of the close of the entity's fiscal year.</p>
2004-2	<p><u>Criteria</u></p> <p>State unemployment rates were not entered into the payroll system in a timely manner, which caused incorrect deposit of unemployment contributions.</p> <p><u>Condition</u></p> <p>State unemployment amounts were not funded properly.</p>

Cause

Procedure to update rates was not followed.

Effect

Penalties and interest are incurred that are disallowed by the federal grant.

Recommendation

Ensure timely update of payroll information for accurate reporting and deposits of all payroll contributions.

Corrective Action Planned

We have implemented procedures for ensuring timely input of the current employment rates. In the past the Center was contracting the accounting requirements to a local accounting firm and it was an oversight that was not realized by the accounting firm nor management. The Center is currently under new management and is in the process of making changes to ensure the strengthening of controls.

2004-3

Criteria

Payroll tax deposits are required to be timely paid by the 15th of the following month that the payroll liability was incurred.

Condition

Payroll taxes were deposited beyond the deadline for various periods.

Cause

Procedure to file timely payroll tax deposit was not followed.

Effect

Penalties and interest are incurred that are disallowed by the federal grant.

Recommendation

We recommend that management establish procedures to ensure that all payroll tax deposits are timely paid.

Corrective Action Planned

Management has established procedure to ensure that all payroll tax deposits are timely paid. In the past, management has had a problem with the collection of receivables in the process of servicing the underserved in the area and have had to make arrangements with the IRS to meet the obligations that were not timely paid. In the process of correcting this problem, the Center has had some problems in attempting to meet the prior obligations and maintain a current status. We are diligently working toward full payment of all taxes.

2004-4

Criteria

Transactions should be reviewed to ensure accurate recordation of activity.

Condition

Various immaterial transactions were recorded to incorrect accounts.

Cause

Proper review of transactions and recordation was not performed.

Effect

Inaccurate reporting of financial information.

Recommendation

We recommend that management establish procedures to ensure that all transactions are properly recorded.

Corrective Action Planned

Management will establish procedures to have a second review of transactions and entries to ensure accurate financial reporting.

2004-5

Criteria

Documentation should be maintained to support the activities.

Cause

Documentation of immaterial asset additions were not maintained.

Effect

Inadequate support for activity of the Center.

Recommendation

We recommend that documentation supporting all transactions be maintained in an adequate manner.

Corrective Action Planned

We have implemented procedures for changing the filing system that was previously maintained. The Center is currently under new management and is in the process of making changes to ensure the strengthening of the controls.

Section III

Findings and Questioned Costs Related to Federal Awards

No findings related to federal awards for the seventeen months ended February 29, 2004.

**RAPIDES PRIMARY HEALTH CARE CENTER, INC.
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**

Auditor Reference	Status
2002-1 Monthly reconciliations of accounts receivable	Corrected
2002-2 Payroll taxes not timely paid	Corrected for year ending February 28, 2005
2002-3 Form 990 in prior year not timely filed	Corrected
2002-4 Applications for Sliding Fee services were incomplete	Corrected