

Innis Community Health Center, Inc.
Batchelor, Louisiana
October 31, 2013

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 APR 30 2014

TABLE OF CONTENTS

Independent Auditor's Report	Page 3
Financial Statements	
Statements of Financial Position	Page 5
Statements of Activities	Page 6
Statements of Functional Expenses	Page 7
Statements of Cash Flows	Page 8
Notes to Financial Statements	Page 10
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page 18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	Page 20
Schedule of Expenditures of Federal Awards	Page 22
Notes to Schedule of Expenditures of Federal Awards	Page 23
Schedule of Current Year Audit Findings and Questioned Costs	Page 24
Schedule of Prior Year Audit Findings and Questioned Costs	Page 30

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Independent Auditor's Report

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innis Community Health Center, Inc. as of October 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014 on our consideration of Innis Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innis Community Health Center, Inc.'s internal control over financial reporting and compliance.



March 14, 2014

Innis Community Health Center, Inc.
Statements of Financial Position
October 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
A s s e t s		
Current Assets		
Cash and cash equivalents	\$ 93,238	\$ 107,504
Certificate of deposit	60,000	60,000
Patient accounts receivable, less allowance for doubtful accounts of \$322,566 for 2013 and \$313,096 for 2012	251,033	194,582
Grant funds receivable	132,592	35,898
Other receivables	550	-
Prepaid expenses	<u>13,761</u>	<u>6,959</u>
Total current assets	551,174	404,943
 Property and Equipment, net of accumulated depreciation	 <u>1,056,832</u>	 <u>820,442</u>
 Total assets	 <u>\$1,608,006</u>	 <u>\$1,225,385</u>
L i a b i l i t i e s a n d N e t A s s e t s		
Current Liabilities		
Line of credit	\$ 35,000	\$ 35,000
Accounts payable	50,878	110,633
Accrued expenses	27,532	-
Payroll liabilities	600	3,107
Accrued salaries	31,718	23,389
Compensated absences payable	49,386	41,969
Due to related party	1,600	17,600
Deferred grant revenue	<u>75,900</u>	<u>97,893</u>
Total current liabilities	272,614	329,591
 Net Assets		
Unrestricted	 <u>1,335,392</u>	 <u>895,794</u>
 Total liabilities and net assets	 <u>\$1,608,006</u>	 <u>\$1,225,385</u>

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

Innis Community Health Center, Inc.
Statements of Activities
Years Ended October 31, 2013 and 2012

	<u>Unrestricted</u>	
	<u>2013</u>	<u>2012</u>
Revenues and Gains		
Net patient service revenue	\$1,839,403	\$1,461,569
Patient settlement revenue	8,330	3,657
Pharmacy revenue	5,702	7,822
Other revenue	33,454	10,973
Federal grants	1,738,470	1,491,799
State and other grants	137,730	161,785
Rental income - gym	2,750	6,700
Investment income	628	451
Total revenues and gains	<u>3,766,467</u>	<u>3,144,756</u>
Expenses		
Program services		
Medical	1,528,143	1,589,728
Dental	473,116	472,972
Supporting services		
Management and general	<u>1,066,564</u>	<u>1,066,177</u>
Total expenses	3,067,823	3,128,877
Bad debt expense	<u>259,046</u>	<u>223,094</u>
Total expenses	<u>3,326,869</u>	<u>3,351,971</u>
Changes in Net Assets	439,598	(207,215)
Net Assets, beginning of year	<u>895,794</u>	<u>1,103,009</u>
Net Assets, end of year	<u>\$1,335,392</u>	<u>\$ 895,794</u>

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

Innis Community Health Center, Inc.
Statements of Functional Expenses
Years Ended October 31, 2013 and 2012

	<u>Program Services</u>		<u>Supporting Services</u>	
	<u>Medical</u>	<u>Dental</u>	<u>Management and General</u>	<u>2013 Total</u>
October 31, 2013				
Employee compensation and benefits	\$1,266,425	\$ 293,968	\$ 668,536	\$2,228,929
Occupancy and rents	44,590	24,010	63,498	132,098
Billing and information systems	-	-	137,134	137,134
Purchased services	71,466	35,713	50,827	158,006
Supplies	92,561	53,657	36,958	183,176
Depreciation	33,282	58,665	28,352	120,299
Insurance	13,928	7,103	6,825	27,856
Travel, education and training	5,891	-	10,466	16,357
Licenses and fees	-	-	13,481	13,481
Dues and subscriptions	-	-	24,593	24,593
Meeting expenses	-	-	8,810	8,810
Medical records	-	-	9,233	9,233
Other	-	-	7,851	7,851
	<u>\$1,528,143</u>	<u>\$ 473,116</u>	<u>\$1,066,564</u>	<u>\$3,067,823</u>
Total expenses				

	<u>Program Services</u>		<u>Supporting Services</u>	
	<u>Medical</u>	<u>Dental</u>	<u>Management and General</u>	<u>2012 Total</u>
October 31, 2012				
Employee compensation and benefits	\$1,362,532	\$ 316,276	\$ 719,270	\$2,398,078
Occupancy and rents	46,776	25,187	66,611	138,574
Billing and information systems	-	-	115,564	115,564
Purchased services	40,811	20,394	29,025	90,230
Supplies	92,716	53,747	37,020	183,483
Depreciation	29,225	51,513	24,895	105,633
Insurance	11,480	5,855	5,625	22,960
Travel, education and training	6,188	-	10,994	17,182
Licenses and fees	-	-	15,565	15,565
Dues and subscriptions	-	-	16,975	16,975
Meeting expenses	-	-	11,474	11,474
Medical records	-	-	9,836	9,836
Other	-	-	3,323	3,323
	<u>\$1,589,728</u>	<u>\$ 472,972</u>	<u>\$1,066,177</u>	<u>\$3,128,877</u>
Total expenses				

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

Innis Community Health Center, Inc.
Statements of Cash Flows
Years Ended October 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Cash received from patients and third party payors	\$ 1,573,592	\$ 1,351,141
Cash received from grants and contributions	1,757,513	1,721,518
Cash received from earnings on short-term investments	628	451
Cash payments to employees	(2,215,690)	(2,472,464)
Cash payments to suppliers	<u>(723,620)</u>	<u>(595,415)</u>
Net cash provided by operating activities	<u>392,423</u>	<u>5,231</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(406,689)</u>	<u>(146,241)</u>
Net cash used in investing activities	<u>(406,689)</u>	<u>(146,241)</u>
 Cash Flows From Financing Activities		
Increase in line of credit	—	<u>35,000</u>
Net cash provided by financing activities		<u>35,000</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (14,266)	 (106,010)
 Cash and Cash Equivalents, beginning of year	 107,504	 <u>213,514</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 93,238</u>	 <u>\$ 107,504</u>

The accompanying notes are an integral part of these financial statements

**Innis Community Health Center, Inc.
Statements of Cash Flows (Continued)
Years Ended October 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows From Operating Activities:		
Change in net assets	\$ 439,598	\$ (207,215)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	120,299	105,633
Abandonment of project	50,000	—
Bad debt expense	259,046	223,094
(Increase) Decrease in assets:		
Patient accounts receivable	(315,497)	(139,580)
Grant funds receivable	(96,694)	65,298
Other receivables	(550)	—
Prepaid expenses	(6,802)	(521)
Increase (Decrease) in liabilities:		
Accounts payable	(59,755)	19,071
Payroll liabilities	(2,507)	976
Accrued salaries	8,329	(72,112)
Compensated absences payable	7,417	(3,249)
Accrued expenses	27,532	—
Due to related party	(16,000)	11,200
Deferred grant revenue	(21,993)	2,636
	<u>\$ 392,423</u>	<u>\$ 5,231</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Income taxes	<u>\$ —</u>	<u>\$ —</u>
Interest	<u>\$ 897</u>	<u>\$ 315</u>

The accompanying notes are an integral part of these financial statements

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 1-Nature of Operations

Innis Community Health Center, Inc. (the "Center") is incorporated as a Louisiana nonprofit corporation located in the northern part of Pointe Coupee Parish in the Village of Innis, Louisiana with a satellite clinic in Livonia, Louisiana.

The Center is a Federally Qualified Health Center that provides primary healthcare services to area communities in need of preventative, coordinated, and affordable healthcare in a prudent and efficient manner. The vision of the Center is, through community collaboration and partnership, to develop and promote supportive healthcare services to all people who are medically underserved, in order that they may experience all the rights, privileges, and responsibilities as members of the community

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America

The Center reports 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. Unrestricted net assets include those net assets whose use by the Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by the Center has been limited by donors to (a) later periods of time or other specific dates, or (b) specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Center's use of the asset. At October 31, 2013 and 2012, the Center had no temporarily or permanently restricted net assets.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the statements of financial position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Patient Accounts Receivable

Patient accounts receivable are generally carried at the original billed amount less contractual adjustments and the allowance for doubtful accounts. The allowance is based on management's estimates, historical experience, and a review of all outstanding amounts on an ongoing basis. Patient accounts receivable are written-off when deemed uncollectible, and recoveries, if any, are recorded when received.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 2-Summary of Significant Accounting Policies (Continued)

E. Property and Equipment

Property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for equipment, furniture and fixtures, and 15 to 30 years for buildings and leasehold improvements.

All acquisitions of property and equipment in excess of \$500 and all expenditures that materially increase values, change capabilities, or extend useful lives of assets are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations.

F. Compensated Absences

The Center provides paid time off (PTO) for employees who meet hours worked per pay period criteria. Generally, PTO is earned on a per pay period (bi-weekly) basis ranging from 5.0 to 8.75 hours per pay period, depending on job classification and length of service. Unused PTO, up to a maximum of 300 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 300 hours will be forfeited if not used by September 30, of the subsequent year for all employees, unless otherwise approved by the Board.

G. Funding Source

The Center receives funds from the United States Department of Health and Human Services (DHHS) through the Health Resources and Services Administration. In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of the unexpended funds, or both, as a result of non-compliance by the Center with the terms of the grants. In addition, if the Center terminates the activities of the grants, all unexpended federal funds are to be returned to DHHS. The grant agreement requires the Center to provide primary healthcare to all requesting individuals; however, the amount an individual actually pays is based on the individual's personal income.

H. Net Patient Service Revenue

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

The Center has a sliding fee plan for patients whose income levels fall within the sliding fee guidelines and who do not have coverage with a third-party payer.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 2-Summary of Significant Accounting Policies (Continued)

I. Functional Allocation

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

J. Income Tax Status

The Center follows the provisions of FASB ASC 740, relating to uncertain income tax positions. These standards require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Center's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations for federal purposes.

Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. The income tax returns for the years ended October 31, 2012, 2011, and 2010 remain open for possible examination by taxing authorities.

From time to time, the Center may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been insignificant and are classified as other expenses when they occur.

K. Other Revenue

Other revenue is derived from services other than providing healthcare services to patients. These primarily include incentive payments related to Electronic Health Records implementation, fees for providing medical records, and Medicaid and Medicare adjustments.

L. Advertising

Advertising costs are expensed as incurred. There were no advertising costs for the years ended October 31, 2013 and 2012.

M. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net assets or the change in net assets of the prior year.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 3-Certificate of Deposit

At October 31, 2013 and 2012, the Center had a certificate of deposit in the amount of \$60,000. The certificate of deposit had an interest rate of 1.01% at October 31, 2013 and 2012, and a term of seven months, with penalties for early withdrawal. The investment is carried at cost, which approximates fair market value. This certificate of deposit serves as collateral on the Center's line of credit as described in Note 5.

Note 4-Property and Equipment

Property and equipment activity is summarized as follows as of October 31, 2013:

	November 1, 2012	Additions	Retirements	October 31, 2013
Innis Clinic				
Office equipment	\$ 138,721	\$ 14,075	\$ -	\$ 152,796
Furniture and fixtures	12,188	-	-	12,188
Medical equipment	33,019	-	-	33,019
Dental equipment	127,428	4,828	-	132,256
Vehicles	38,105	-	-	38,105
Mobile dental van	181,740	-	-	181,740
Mobile mental health van	-	65,000	-	65,000
Office building	41,408	-	-	41,408
Dental building	234,938	-	-	234,938
Helipad	32,027	-	-	32,027
Leasehold improvements	123,982	-	-	123,982
Total Innis Clinic	<u>963,556</u>	<u>83,903</u>	<u>-</u>	<u>1,047,459</u>
Livonia Clinic				
Land	75,935	-	-	75,935
Office equipment	38,822	8,264	-	47,086
Medical equipment	48,761	-	-	48,761
Dental equipment - mobile van	7,831	-	-	7,831
Office building	50,525	-	-	50,525
Leasehold improvements	73,322	-	-	73,322
Total Livonia Clinic	<u>295,196</u>	<u>8,264</u>	<u>-</u>	<u>303,460</u>
School Based Health Clinics				
Office equipment	26,059	-	-	26,059
Medical equipment	26,626	-	-	26,626
Construction in progress	78,653	311,632	(50,000)	340,285
Total school based health clinics	<u>131,338</u>	<u>311,632</u>	<u>(50,000)</u>	<u>392,970</u>
Electronic Medical Records Equipment	<u>33,741</u>	<u>2,890</u>	<u>-</u>	<u>36,631</u>
Total property and equipment	1,423,831	406,689	(50,000)	1,780,520
Less: accumulated depreciation	<u>(603,389)</u>	<u>(120,299)</u>	<u>-</u>	<u>(723,688)</u>
Total property and equipment, net	<u>\$ 820,442</u>	<u>\$ 286,390</u>	<u>\$(50,000)</u>	<u>\$ 1,056,832</u>

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 4-Property and Equipment (Continued)

Property and equipment activity is summarized as follows as of October 31, 2012:

	November 1, 2011	Additions	Retirements	October 31, 2012
Innis Clinic				
Office equipment	\$ 46,155	\$ 92,566	\$ -	\$ 138,721
Furniture and fixtures	12,188	-	-	12,188
Medical equipment	33,019	-	-	33,019
Dental equipment	125,885	1,543	-	127,428
Vehicles	38,105	-	-	38,105
Mobile dental van	181,740	-	-	181,740
Office building	41,408	-	-	41,408
Dental building	234,938	-	-	234,938
Helipad	32,027	-	-	32,027
Leasehold improvements	117,282	6,700	-	123,982
Total Innis Clinic	<u>862,747</u>	<u>100,809</u>	<u>-</u>	<u>963,556</u>
Livonia Clinic				
Land	75,935	-	-	75,935
Office equipment	22,632	16,190	-	38,822
Medical equipment	48,761	-	-	48,761
Dental equipment - mobile van	7,831	-	-	7,831
Office building	50,525	-	-	50,525
Leasehold improvements	73,322	-	-	73,322
Total Livonia Clinic	<u>279,006</u>	<u>16,190</u>	<u>-</u>	<u>295,196</u>
School Based Health Clinics				
Office equipment	16,878	9,181	-	26,059
Medical equipment	26,626	-	-	26,626
Construction in progress	65,082	13,571	-	78,653
Total school based health clinics	<u>108,586</u>	<u>22,752</u>	<u>-</u>	<u>131,338</u>
Electronic Medical Records Equipment	<u>27,251</u>	<u>6,490</u>	<u>-</u>	<u>33,741</u>
Total property and equipment	1,277,590	146,241	-	1,423,831
Less: accumulated depreciation	<u>(497,756)</u>	<u>(105,633)</u>	<u>-</u>	<u>(603,389)</u>
Total property and equipment, net	<u>\$ 779,834</u>	<u>\$ 40,608</u>	<u>\$ -</u>	<u>\$ 820,442</u>

Note 5-Line of Credit

The Center has a \$60,000 line of credit, of which \$35,000 was drawn as of October 31, 2013 and 2012, respectively. Interest is fixed at 2.73%. The line of credit is secured by a certificate of deposit as referenced in Note 3, and matures on November 12, 2013.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 6-Related Party Transactions

Pointe Coupee General Hospital, an entity related through common Board members, rents facilities to the Center. As of October 31, 2013 and 2012, the amount due to the Pointe Coupee General Hospital for rent was \$1,600 and \$17,600, respectively.

The Center paid rent to Pointe Coupee General Hospital in the amount of \$35,200 and \$12,800 for the years ended October 31, 2013 and 2012, respectively.

Note 7-Deferred Grant Revenue

Deferred grant revenue consists of grant funds received in the current year, which will be used in the following year.

Note 8-Commitments, Concentrations, and Contingencies

At October 31, 2013, the Center had outstanding commitments totaling \$149,289 related to the construction of a new school-based health clinic.

Innis Community Health Center, Inc. leases equipment and facilities under operating leases. Total rental expense in 2013 and 2012 was \$30,586 and \$29,867, respectively.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space in Innis, Louisiana, with payments of \$1,000 per month for a term of 15 years, beginning June 30, 2009 and ending June 30, 2024.

The Center has a lease agreement with Pointe Coupee Health Service District #1 for the rental of facility space located in Livonia, Louisiana, with payments of \$600 per month for an indefinite lease term. Either party may terminate the lease in writing, voiding the lease within 120 days.

The Center leases four copy machines and other office equipment with monthly base payments of \$655 with varying monthly cost per copy charges depending on usage.

Future minimum lease payments on non-cancelable leases for the next five years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013 - 2014	\$12,000
2014 - 2015	12,000
2015 - 2016	12,000
2016 - 2017	12,000
2017 - 2018	12,000
	\$60,000

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 8-Commitments, Concentrations, and Contingencies (Continued)

Concentrations of Credit Risk

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Revenues from patients and third-party payers as of October 31, 2013 and 2012 were as follows:

<u>Payer</u>	<u>Percent</u>	
	<u>2013</u>	<u>2012</u>
Medicaid	34%	35%
Medicare	11%	9%
Sliding fee/ private pay	29%	33%
Third-party payers	26%	23%
Total	100%	100%

Additionally, 46% and 47% of the Center's total unrestricted revenue and support was provided by the U.S. Department of Health and Human Services during the fiscal years ended October 31, 2013 and 2012, respectively.

The Center has responsibility for expending grant funds in accordance with specific instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Center.

The Center periodically maintains cash in bank accounts in excess of federally insured limits. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize this potential risk.

Note 9-Tax Deferred Annuity Plan

The Center participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may participate in the employee contribution plan when hired. This is a plan whereby employees make their own, pre-tax contributions to the plan, and can either increase, decrease, or stop their contributions at any time. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. There is no match by Innis Community Health Center, Inc. in the Section 403(b) tax deferred annuity plan. Employees may withdraw their contributions from the 403(b) tax deferred annuity plan upon resignation, termination, etc.

The Center also participates in an employer contribution plan (pension plan). Employees hired after July 1, 2003 are entitled to participate in the employer contribution plan upon completion of one year of service working for the Center. Employees are vested after 3 years of employment, and may withdraw the employer's contributions to their account upon resignation, termination, etc. The Center contributes on behalf of employees at a rate of 2% to 3% of gross salary. Employees receive 3% contributions upon 5 full years of service for the Center. The Center's contribution for 2013 and 2012 was \$17,669 and \$25,806, respectively.

Innis Community Health Center, Inc.
Notes to Financial Statements
October 31, 2013

Note 10-Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Violations of these laws and regulations could result in exclusion from government healthcare program participation, the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center is subject to regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

Note 11-Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Note 12-Subsequent Events

Innis Community Health Center, Inc. has evaluated all subsequent events through March 14, 2014, the date the financial statements were available to be issued. As a result, the Center noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

We have audited, in accordance with the 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, the financial statements of Innis Community Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innis Community Health Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2013-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as Findings 2013-02 and 2013-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Innis Community Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Innis Community Health Center, Inc.'s Response to Findings

Innis Community Health Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Innis Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Weymouth & Carroll, LLP

March 14, 2014

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
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**Independent Auditor's Report
on Compliance for Each Major Program and on Internal
Control over Compliance Required by OMB Circular A-133**

Board of Directors
Innis Community Health Center, Inc.
Batchelor, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Innis Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Innis Community Health Center, Inc.'s major federal programs for the year ended October 31, 2013. Innis Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Innis Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that 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 Innis Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Innis Community Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Innis Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-04 and 2013-05. Our opinion on each major federal program is not modified with respect to these matters.

Innis Community Health Center, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Innis Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Innis Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Innis Community Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Innis Community Health Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-04 and 2013-05, that we consider to be significant deficiencies.

Innis Community Health Center, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Innis Community Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



March 14, 2014

**Innis Community Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended October 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
Consolidated Health Centers*	93.224	\$1,278,792
Affordable Care Act (ACA) Grants for School Based Health Center Capital Expenditures*	93.501	342,891
ARRA – Grants to Health Center Programs	93.703	3,123
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	<u>113,667</u>
Total Expenditures of Federal Awards		<u>\$1,738,473</u>

* Denotes major programs

The accompanying notes are an integral part of this schedule.

Innis Community Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2013

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Innis Community Health Center, Inc. under programs of the federal government for the year ended October 31, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Innis Community Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Innis Community Health Center, Inc.

Note 2-Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3-Subrecipients

Innis Community Health Center, Inc. did not pass-through any of its federal awards to a subrecipient during the fiscal year ended October 31, 2013.

Note 4-Non-cash Assistance

No federal awards were expended in the form of non-cash assistance during the fiscal year ended October 31, 2013.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report:

Unmodified

Internal control over financial reporting

* Material weakness(es) identified:

Yes No

* Significant deficiencies identified that are not considered to be material weaknesses:

Yes None reported

Noncompliance material to financial statements noted:

Yes No

Federal Awards

Internal control over major programs

* Material weakness(es) identified:

Yes No

* Significant deficiencies identified that are not considered to be material weaknesses:

Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:

Yes No

Identification of major programs:

CFDA Numbers

93.224

93.501

Federal Program or Cluster

Consolidated Health Centers

Affordable Care Act (ACA) Grants for School Based
Health Center Capital Expenditures

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

Auditee qualified as low-risk auditee:

Yes No

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Section II - Financial Statement Findings

Material Weakness

Finding 2013-01 Inadequate Review of Accounts Receivable

Condition:

Upon review of accounts receivable and inquiry of management, we noted that the allowance for doubtful accounts was not being properly analyzed and reviewed.

Criteria:

In order to ensure that the estimated loss from uncollectible accounts receivable is properly reflected on the financial statements, the allowance for doubtful accounts should be adjusted or recorded after reviewing the analysis of the accounts and making appropriate collection efforts.

Effect:

The Center is not ensuring that accounts receivable, net of the allowance for doubtful accounts, reflects realizable value based on all available evidence. A material audit adjustment to the allowance for doubtful accounts balance was required.

Cause:

The Center has inadequate policies and procedures in place regarding management review of accounts receivable and the allowance for doubtful accounts.

Auditor's Recommendation

We recommend the Center implement a policy requiring accounts receivable be analyzed on a monthly basis to determine which accounts are uncollectible, and the allowance for doubtful accounts be adjusted as needed. The analysis should consider prior charge-off experience and indications of financial difficulty as well as other known circumstances. The allowance analysis should consider outstanding days in accounts receivable, as well as payer source (Medicaid, Medicare, Blue Cross, Commercial Insurance, and Private Pay).

Management's Response

Management is analyzing accounts receivable by payer and days outstanding and is now using a spreadsheet that estimates bad debt allowances by each of the five major payer sources based on historic collection percentages. The process will be memorialized in the form of a board approved policy and procedure.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Financial Statement Findings (Continued)

Significant Deficiencies

Finding 2013-02 Inadequate Controls Over Cash Disbursements

Condition:

Several expenditures charged to the Center's credit card were lacking supporting documentation. Disbursements were paid based on vendor statements rather than invoices or receipts. Some of the invoices for transactions tested were paid over 30 days past the indicated due date.

Criteria:

Controls over cash disbursements should include maintaining adequate, appropriate supporting documentation for purchases, making payments only from original invoices for amounts due, and ensuring invoices are canceled to prevent duplicate payment. The Center should also ensure the timely payment of invoices and proper coding and recordation of expenses in the correct period.

Effect:

The propriety of the transactions mentioned above which lacked supporting documentation could not be determined. Payments to vendors from statements rather than invoices or receipts resulted in some duplicate payments of invoices.

Cause:

The Center has inadequate controls over cash disbursements allowing for possible misappropriation of the Center's assets and duplicate payment of amounts due

Auditor's Recommendation:

We recommend that proper supporting documentation for all credit card charges be retained and kept with the original credit card statement and that all invoices be canceled at the time of payment to aid in the prevention of duplicate payments. In addition, it is recommended that a member of the Board of Directors review the Executive Director's credit card activity on a monthly basis.

Management's Response:

The Center recognizes opportunities to improve management of credit card transactions. After the audit process, management retrieved invoices and receipts to validate expenditures made on credit card. Missing invoices included Auto Pay monthly charges for postage machine, audio conference services, and on-line bill payments. No misuse was noted through internal audit by the Chief Executive Officer and Chief Operating Officer. All transactions were reviewed at the time of purchase, however, some receipts had been misplaced.

Proper supporting documentation for all credit card charges will be retained and kept with the original credit card statement. All invoices will be canceled at the time of payment to aid in the prevention of duplicate payments. The CEO and/or COO will monitor and manage the monthly reconciliation of the credit card bills and will have the Chairman of the Board Finance Committee review the statements and invoices quarterly.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Financial Statement Findings (Continued)

Significant Deficiencies (Continued)

Finding 2013-03 Cash Management

Condition:

The Center did not disburse funds, which had been drawn down from a Federal grant, in a timely manner

Criteria:

Draw-downs of Federal funds should only be used for immediate needs.

Effect:

By drawing down Federal funds without immediate disbursement, the Center is not in compliance with cash management procedures.

Cause:

Lack of procedures in place governing payment of open invoices.

Auditor's Recommendation.

Management should review open invoices on a routine basis and make inquiries of appropriate personnel regarding the status of unpaid items. Procedures need to be developed to ensure the immediate disbursement of funds that have been drawn down.

Management's Response:

Procedures are in place, but were not followed by Accounts Payable Personnel or by Project Coordinator for the Oral Health Grant. An invoice was submitted via e-mail by Project Coordinator to Accounts Payable for payment; however, the e-mail was not printed for the Executive Director to review. Invoices were not given to Executive Director and were not entered into unpaid bills. The project director drew down funds and assumed bill was paid when invoice was submitted. Accounts Payable did not print invoice and did not enter it into our accounting system. Executive Director was not looped in on the email. When the unpaid invoice was found during audit, the Executive Director immediately paid the outstanding invoice. This was a human error, made by not following our defined process

The Project Coordinator and Accounts Payable Personnel have been re-educated on process. All invoices should be submitted to Executive Director for review at the time they are received or sent. No funds will be drawn down without the approval of the Executive Director. Grant funds will only be drawn down by approved personnel including Accounts Payable, Chief Operating Officer, and/or Finance Director.

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Section III – Federal Award Findings

Significant Deficiencies

Finding 2013-04 Proof of Income - Sliding Scale
CFDA 93.224 - Consolidated Health Centers

Condition:

Three patients that pay according to the sliding fee scale did not have updated proof of income on file

Criteria:

Proof of income for sliding scale patients should be updated on an annual basis in order for the Center to charge the appropriate fees for their visits.

Effect:

The patients may be charged at a rate that is inconsistent with the rates of the sliding fee scale according to their respective annual incomes.

Cause:

Inconsistent application of the Center's policy for obtaining proper documentation for patient visits.

Auditor's Recommendation:

Prior to the scheduled appointments patients should be notified if their proof of income is out of date and that they must provide current proof of income in order to be treated at the Center.

Management's Response:

Prior to the scheduled appointments, patients are notified if their proof of income is out of date and that they must provide current proof of income in order to receive sliding fee discount. The center does not refuse services when the patient arrives without valid proof of income. The patient is considered ineligible for discounted services until valid proof is obtained; however, they are billed for the full fee services when they are unable to pay in full on day of service. The Center treats the medical needs based on triage of condition and gives patients five days to return with valid proof of income. If the proof is not obtained in five days, the patient remains liable for full fee schedule and is billed for the outstanding balance

Innis Community Health Center, Inc.
Schedule of Current Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Section III – Federal Award Findings (Continued)

Significant Deficiencies (Continued)

*Finding 2013-05 Davis Bacon Act
CFDA 93 501 -Affordable Care Act (ACA) Grants for
School Based Health Center Capital Expenditures*

Condition:

Contract with general/site preparation contractor did not include Prevailing Wage Rate or Davis Bacon clauses.

Criteria.

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction").

Effect:

Possible noncompliance with federal compliance requirement.

Cause

Internal control system does not provide a method for consulting with authoritative sources for guidance in determining and complying with federal requirements.

Auditor's Recommendation.

Personnel in charge of administering federal awards should consult authoritative guidance to determine applicable laws and regulations, and become knowledgeable of compliance requirements.

Management's Response.

Executive Director followed all guidance provided through HRSA EHB regarding grant. Construction contract was found to be missing appropriate verbiage in contract regarding prevailing wages. A legal attorney was contracted to write the contract with Davis Bacon guidelines. HRSA project officer approved contract without notation of any missing elements. Executive Director reviewed contractor through SAM system and found him to be in good standing prior to grant award. Contractor did follow prevailing wages and certified payroll, and was aware Davis Bacon applied to the project. Executive Director did not make copies of certified payroll on a weekly basis, but did review with Contractor. Contractor did provide certified payrolls for auditors

Innis Community Health Center, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Financial Statement Findings

Significant Deficiencies

Finding 2012-01: Dual Signatures on Checks

Condition:

We noted five checks greater than \$3,000 that only contained one signature.

Criteria:

The Center's accounting policies state that all checks that exceed \$3,000 must contain two authorized signatures.

Effect:

Checks are being released that are not in accordance with the Center's policies and procedures.

Cause:

Inconsistent implementation of the cash disbursements policy.

Auditor's Recommendation:

The Center should adhere to its written policy regarding cash disbursements and have processes in place to ensure that all checks written in excess of \$3,000 contain the signature of the Executive Director and another authorized signature.

Management's Response:

The CEO reviewed policy and payment practices with accounts payable personnel as well as the COO. The accounts payable responsible party was unaware that the amount requiring signatures was \$3,000. The threshold used prior to the audit was that checks over \$3,500 required 2 signatures. The CFO resignation in June 2012, as well as the new CEO placement in May 2012, also contributed to the noncompliance with policy. Management has educated all parties on the policy and amount needing 2 signatures on checks. The CEO will review signature compliance for checks released in the amount of \$3,000 and greater through on-line banking.

Status:

This finding has been resolved.

Innis Community Health Center, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Federal Award Findings

Significant Deficiencies

Finding 2012-02: Cash Management
CFDA 93.703 - ARRA Grants to Health Center Programs

Condition:

The Center has not fully disbursed funds that were drawn down in 2011.

Criteria:

Based on the cash management internal control objective of the OMB Circular A-133 Compliance Supplement, draw-downs of Federal funds should only be used for immediate needs.

Effect:

By drawing down Federal funds without immediate disbursement, the Center is not in compliance with cash management procedures.

Cause:

A project was delayed and architect fees were not paid even though the funds had been drawn down.

Auditor's Recommendation:

Management should only draw down Federal funds as needed.

Management's Response:

A new CEO was hired in May 2012, and funds were drawn down prior to the new CEO hire date. Architectural funds are in a non-interest bearing account, until the project is completed. The architect invoice is on file and reflects the amount drawn down, but the payment check has not been released due to incompleteness of the project. New CEO will not draw down future funds until needed. Other invoices have been logged for services and equipment; payment is to be made when installation is complete.

Status:

This finding has been resolved.

Innis Community Health Center, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended October 31, 2013

Federal Award Findings (Continued)

Significant Deficiencies (Continued)

Finding 2012-03 - Proof of Income - Sliding Scale
CFDA 93.224 - Consolidated Health Centers

Condition:

Two patients that pay according to the sliding fee scale did not have updated proof of income on file. The most recent proof of income for both patients was from 2010.

Criteria:

Proof of income for sliding scale patients should be updated on an annual basis in order for the Center to charge the appropriate fees for their visits.

Effect:

The patients may be charged at a rate that is inconsistent with the rates of the sliding fee scale according to their respective annual incomes.

Cause:

Inconsistent application of the Center's policy for obtaining proper documentation for patient visits.

Auditor's Recommendation:

Prior to the patients appointments, front-desk personnel should notify patients if their proof of income is out of date and explain to them that they must provide current proof of income in order to be treated at the Center.

Management's Response:

Charts are checked prior to the date of service when appropriate. Patients are instructed by scheduling staff when appointment is made to bring proof of income to the scheduled appointment. Many appointments are made on date of service, and as walk-in, add-on appointments. On the day of the appointment, when the patient arrives, the proof of income is reviewed and updated by the check-in personnel. If the patient does not have the proof of income at the time of service, they are listed as full fee scale. The patient has one day to return the proof of income to remain on the discounted sliding scale. If the patient does not return to the clinic with the proof of income, they are placed on full fee scale.

Proof of income statements are audited monthly and compliance results are shared with front-line staff at Monthly Quality Meeting. Staffing adjustments and process improvement action plans are completed based on performance. Proof of Income Policy has been reassessed to ensure clarity of process. Staff has been re-educated in process expectations.

Status:

This repeats as current year finding 2013-04