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**JEFFERSON COMMUNITY
HEALTH CARE CENTER, INC.**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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 OCT 12 2011

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Carr, Riggs & Ingram, LLC
3501 North Causeway Boulevard
Suite 810
Metairie, Louisiana 70002

(504) 837-8116
(504) 837-0123 (fax)
www.cricpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jefferson Community Health Care Center, Inc.
Marrero, LA

We have audited the accompanying Statement of Financial Position of Jefferson Community Health Care Center, Inc. (a non-profit organization) ("JCHCC") as of December 31, 2010, and the related Statements of Activities, of Functional Expenses, and of Cash Flows for the year then ended. These financial statements are the responsibility of JCHCC'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JCHCC as of December 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the basic financial statements, JCHCC is subject to ongoing financial and compliance audits and investigations by State and Federal agencies or their designees. The determination of whether any instances of noncompliance or other possible findings that may ultimately result in remittance by JCHCC of any ineligible or disallowed costs and the resulting impact to JCHCC's financial position and results of operations cannot be presently determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011 on our consideration of JCHCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and

should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards for the year ending December 31, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of JCHCC.

Carr, Riggs & Ingram, LLC

June 22, 2011

FINANCIAL STATEMENTS

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,092,809
Patient and contracts receivable, net	429,740
Other current assets	<u>81,089</u>

Total Current Assets 2,603,638

Non-Current Assets

Investment in LPC&A	92,000
Property and equipment, net of accumulated depreciation	<u>694,343</u>

Total Non-Current Assets 786,343

Total Assets \$ 3,389,981

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 409,064
Accrued expenses	109,125
Deferred grant revenue	<u>211,074</u>

Total Current Liabilities 729,263

Total Liabilities 729,263

Net Assets

Unrestricted	<u>2,660,718</u>
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Total Net Assets 2,660,718

Total Liabilities and Net Assets \$ 3,389,981

See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

UNRESTRICTED NET ASSETS

Public Support and Other Income	
Contractual revenues	\$ 2,782,595
Program revenues	4,152,400
Other income	<u>97,238</u>
Total Public Support and Other Income	<u>7,032,233</u>
 Expenses	
Program services	7,252,329
Supporting services	<u>853,238</u>
Total Expenses	<u>8,105,567</u>
Decrease in Unrestricted Net Assets	<u>(1,073,334)</u>
Net assets at beginning of year, as previously reported	4,397,999
Prior Period Adjustments - Correction of errors	<u>(663,947)</u>
Net assets at beginning of year, as restated	<u>3,734,052</u>
Net assets at end of year	<u><u>\$ 2,660,718</u></u>

See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

Cash Flows from Operating Activities	
Current year decrease in net assets	\$ (1,073,334)
Depreciation expense	163,029
(Increase) decrease in operating assets:	
Contracts receivable	(45,051)
Other assets	584,089
Increase (decrease) in operating liabilities:	
Accounts payable	(282,506)
Accrued expenses	(47,189)
Deferred grant revenue	<u>(887,169)</u>
Net cash used by operating activities	<u>(1,588,131)</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(380,814)</u>
Net cash used by investing activities	<u>(380,814)</u>
Net decrease in cash and cash equivalents	(1,968,945)
Cash and Cash Equivalents, Beginning of Year	<u>4,061,754</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,092,809</u></u>
SUPPLEMENTARY DISCLOSURE OF NONCASH INFORMATION	
Interest paid	<u><u>\$ 2,366</u></u>

See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>TOTAL</u>
Salaries and fringe benefits	\$ 3,341,554	\$ 525,622	\$ 3,867,176
Write off of uncollectible receivables	1,548,273	-	1,548,273
Contract labor and services	984,564	298,891	1,283,455
Travel and professional development	199,738	24,717	224,455
Supplies	224,141	-	224,141
Depreciation expense	163,029	-	163,029
Telephone and utilities	140,123	300	140,423
Repairs and maintenance	132,404	-	132,404
Rent expense	109,666	-	109,666
Computer expense	73,363	-	73,363
Office expenses	59,657	1,269	60,926
Security	58,496	-	58,496
Transportation	55,086	-	55,086
Marketing and advertising	53,539	-	53,539
Banking fees and service charges	31,362	73	31,435
Insurance	27,734	-	27,734
Dues and subscriptions	13,976	-	13,976
Community outreach	13,907	-	13,907
Write off of uncollectible employee advances	9,945	-	9,945
Postage and printing	5,128	-	5,128
Licenses	3,901	-	3,901
Interest expense	-	2,366	2,366
Patient refunds	1,502	-	1,502
Staff recruiting	1,241	-	1,241
Total Expenses	\$ 7,252,329	\$ 853,238	\$ 8,105,567

See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Jefferson Community Health Care Centers, Inc. ("JCHCC") is a non-profit organization organized under the laws of the State of Louisiana. Its mission is to provide healthcare services, including medical, mental health, optometry, dental, and social services to underinsured and uninsured citizens of Jefferson Parish, Louisiana. JCHCC has three (3) locations: Avondale, Marrero, and River Ridge, Louisiana. Each location is considered a federally qualified health center.

Basis of Accounting

JCHCC's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Public Support and Revenue

JCHCC receives its support primarily from federal, state, and local governmental agencies. Revenue is recorded on the accrual basis as they are received, and allowances are provided for receivables that are estimated to be uncollectible. Revenues are considered available for unrestricted use unless specifically restricted by the grant. Grants which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Grants whose restrictions are met in the same reporting period are reported as unrestricted support. Receivables that are considered uncollectible are written-off. The allowance for uncollectible accounts is an amount management believes will be adequate to absorb receivables that may become uncollectible based on historical trends and economic conditions.

Deferred Revenue

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2010

Property and Equipment

Improvements which significantly extend the useful life of an asset and purchases of furniture, fixtures and equipment in excess of \$5,000 are capitalized. The straight line method of depreciation is used for the assets owned by JCHCC. Useful lives of furniture and equipment is between 5-10 years and leasehold improvements is 10 years.

Income Taxes

JCHCC is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and as such is not subject to income tax. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by JCHCC and recognize a tax liability if JCHCC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by JCHCC, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a tax liability or disclosure in the financial statements. JCHCC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Cash and Cash Equivalents

Cash is comprised of cash on hand and in banks. JCHCC considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Investment in Louisiana Partnership for Choice and Access, LLC

JCHCC uses the cost method to account for its 4.69% investment in the partnership. Under the cost method, JCHCC recognizes its share of the earnings and losses of the partnership as they are realized. JCHCC entered the partnership in 2009 with a cash investment of \$92,000. The balance recorded in the Statement of Financial Position represents the cost of the investment as of December 31, 2010.

Basis of Presentation

JCHCC follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basis financial statements and classification of resources into three separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of JCHCC pursuant to such stipulations.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2010

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of JCHCC.

Subsequent Events

JCHCC has evaluated subsequent events through June 22, 2011, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2010, cash and cash equivalents consisted of deposits with financial institutions with carrying balances of approximately \$2.2 million. These deposits are secured from risk by \$250,000 from the Federal Deposit Insurance Corporation (FDIC). At December 31, 2010, JCHCC had cash deposits in excess of federally insured limits of approximately \$1.7 million.

NOTE 3 - CONCENTRATION OF CREDIT RISKS

JCHCC receives a significant majority of its revenue from contracts with governmental agencies. If significant adverse changes are made at the Federal, State, and/or local level regarding the use of community health care centers to provide services to indigent and underinsured patients, the amount of contract revenue that JCHCC receives could be significantly reduced. This could have an adverse impact on JCHCC's operations, its financial position and results of operations.

NOTE 4 - PATIENT / CONTRACTS RECEIVABLE

At December 31, 2010, accounts receivable includes patient and contract receivables. Patient receivables are maintained for approximately six (6) months, unless information concerning the inability to collect the receivable becomes available, before they are considered uncollectible by JCHCC. JCHCC uses grant funds to make up the short fall from its receivables for indigent patient care. The allowance for uncollectible accounts at December 31, 2010 is \$787,348.

JCHCC had \$1,548,273 in write-offs of uncollectible patient receivables and \$9,945 in uncollectible employee advances during the year ended December 31, 2010. Such write offs were recorded as a program service expense.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2010

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

Furniture, fixtures, and equipment	\$ 901,084
Leasehold improvements	292,735
Property	44,969
Less accumulated depreciation	<u>(544,445)</u>
Net carrying amount	<u>\$ 694,343</u>

Depreciation expense was \$163,029 for the year ended December 31, 2010.

NOTE 6 – ADVERTISING EXPENSES

JCHCC uses advertising to promote the operations of its clinics and the costs associated with advertising are expensed when incurred. Advertising and marketing expenses for the year ended December 31, 2010 were \$53,539.

NOTE 7 – BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation was paid to any Board member during the year ended December 31, 2010.

NOTE 8 – RELATED PARTY TRANSACTION

JCHCC contracted with a consultant to act as interim Chief Executive Officer (CEO) for 9 months starting in April 2010. The interim CEO contract was for approximately \$145,000 for the 9 month period. During this 9 month period, the consultant also had other contractual dealings with JCHCC to provide management and financial consultation of approximately \$212,000 in addition to the interim CEO contracted amount.

NOTE 9 – IN-KIND CONTRIBUTIONS

JCHCC has three (3) locations in which it provides services. The leases for the premises located in Avondale and River Ridge, Louisiana are Cooperative Endeavor Agreements between JCHCC and West Jefferson Medical Center (WJMC). WJMC allowed JCHCC to occupy the premises for the purpose of operating its independent outpatient medical clinics. Additionally, JCHCC entered into a Cooperative Endeavor Agreement with the Parish of Jefferson for its third location in Marrero, Louisiana. At this time is unable to determine a value of the in-kind donation as of the date of this report.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2010

NOTE 10 – POSSIBLE INELIGIBLE, DISALLOWED AND QUESTIONED COSTS

JCHCC is subject to financial and compliance audits and investigations by State and Federal agencies or their designees. The determination of whether any instances of noncompliance or other possible findings that may ultimately result in remittance by JCHCC of any ineligible or disallowed costs and the resulting impact to JCHCC's financial position and results of operations cannot be presently determined.

The Louisiana Legislative Auditor issued a Compliance Audit Report dated January 27, 2010 on JCHCC. The report addressed the 2007 Cooperative Agreement between JCHCC and West Jefferson Medical Center as well as a review of public funds expended by JCHCC since its inception in 2004. The report contains significant findings, including possible violations of State Law, inadequate internal accounting controls, and various compliance findings. The findings contained in this report, unless noted in the attached Schedule of Findings and Questioned Cost at page 21, have been addressed by management and considered in our audit of the accompanying 2010 financial statements of JCHCC. A full copy of the Compliance Audit Report and management's response to the findings can be found at www.la.gov. It is our understanding that the Louisiana Legislative Auditor is conducting another compliance audit of JCHCC. The nature and timing of such audit and any possible findings is unknown as of the date of our report.

NOTE 11 – RENT EXPENSE

During the year ended December 31, 2010, JCHCC had rent and leasing expense related to administrative office space and for offsite storage for \$109,666. As of December 31, 2010, JCHCC no longer rents its administrative office space.

NOTE 12 – LINE OF CREDIT

JCHCC had an unsecured line of credit with a bank bearing interest at a fixed annual rate of 4.75% with no outstanding balance as of December 31, 2010; the total credit line is \$200,000. No interest was paid on the line of credit in 2010.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

JCHCC recorded several adjusting entries in 2010 related to errors that occurred in 2009 but were discovered in 2010. These adjusting entries were related to errors in cash and cash equivalents, property and equipment, and certain expenses, and were charged to beginning unrestricted net assets. Had the errors not occurred, the net assets reported on the 2009 financial statements would have decreased \$663,947.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2010

NOTE 14 – SUBSEQUENT EVENT

JCHCC is in the process of constructing a new building for its Avondale, Louisiana location. In 2010, JCHCC paid a deposit of \$5,000 on the land for the proposed building. In February, 2011, JCHCC paid the remaining balance on the land of \$250,000, and commenced construction of the building with construction costs projected at \$1,424,489 and an estimated completion in late 2011.

JCHCC was notified in January 2011 of an IRS assessment of \$189,977 for the failure to properly file employee tax forms related to fiscal year 2007. This balance has been included as liability on the Statement of Financial Position as of December 31, 2010.

SUPPLEMENTAL INFORMATION

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

Board of Directors
Jefferson Community Health Care Centers, Inc.
Marrero, Louisiana

We have audited the basic financial statements of Jefferson Community Health Care Centers, Inc. ("JCHCC") as of and for the year ended December 31, 2010, and have issued our report thereon dated June 22, 2011. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered JCHCC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JCHCC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 10-1 through 10-3 to be material weaknesses.

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 accompanying Schedule of Findings and Questioned Costs as items 10-4 through 10-7 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JCHCC's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-1 and 10-8 through 10-12.

JCHCC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit JCHCC's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of JCHCC's management, Board of Directors, others within the organization, the Legislative Auditor of the State of Louisiana, federal awarding agencies and federal flow through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

June 22, 2011



Carr, Riggs & Ingram, LLC
3501 North Causeway Boulevard
Suite 810
Metairie, Louisiana 70002

(504) 837-9116
(504) 837-0123 (fax)
www.cricpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENT
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
Jefferson Community Health Care Centers, Inc.
Marrero, Louisiana

Compliance

We have audited the compliance of Jefferson Community Health Care Centers, Inc. ("JCHCC") with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. JCHCC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of JCHCC's management. Our responsibility is to express an opinion on JCHCC's compliance on the basis of our audit.

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 U.S. Office of Management and Budget 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 JCHCC'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 on JCHCC's compliance with those requirements.

As described in the accompanying Schedule of Findings and Questioned Costs, JCHCC did not comply with requirements regarding Eligibility requirements that are applicable to its grants. Compliance with such requirements is necessary, in our opinion, for JCHCC to comply with requirements related to its major federal programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, JCHCC did not comply in all material respects, with the requirements referred to above that are applicable to its major federal programs.

Internal Control Over Compliance

The management of JCHCC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered JCHCC's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance, 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 the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be control deficiencies, significant deficiencies, or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency* in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency *in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control over compliance. We consider a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs item 10-13 to be a material weakness.

A material weakness *in internal control over compliance* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control over compliance. The significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 10-13 to be a material weaknesses.

JCHCC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit JCHCC's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of JCHCC's management, Board of Directors, others within the organization, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

June 22, 2011

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

<u>Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services: Health Resources and Services Administration	93.224	\$1,394,451
U.S. Department of Health and Human Services: ARRA Grants	93.703	647,075
U.S. Department of Health and Human Services: Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	<u>1,264,255</u>
Total Expenditures of Federal Awards		<u>\$3,305,781</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of JCHCC as defined in Note 1 to JCHCC's basic financial statements. All federal awards were received directly from Federal agencies.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of JCHCC and is presented on the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in JCHCC's basic financial statements as program revenues.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are derived from revenues as expenditures related to federal financial reports were not available.

NOTE 5 - FEDERAL AWARDS

Federal awards do not include JCHCC's operating income from rents or income from investments (or other non-federal sources).

NOTE 6 - POSSIBLE INELIGIBLE, DISALLOWED AND QUESTIONED COSTS

JCHCC is subject to audit(s) and investigation(s) by State and Federal agencies or their designees for compliance with contractual and programmatic requirements with regard to funding provided to JCHCC. The determination of whether any instances of noncompliance that will ultimately result in remittance by JCHCC of any ineligible or disallowed cost cannot be presently determined.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unqualified opinion with certain explanatory paragraphs on the financial statements of Jefferson Community Health Care Centers, Inc. ("JCHCC")
2. Control deficiencies were disclosed by the audit of the financial statements: Yes
Material weaknesses: Yes
3. Noncompliance which is material to the financial statements: Yes
4. Control deficiencies over major programs: Yes
Material weaknesses: Yes
5. The type of report issued on compliance for major programs: Adverse
6. Major programs: Department of Health and Human Services – Health Resources and Services Administration, CFDA Number 93.224; ARRA Grants, CFDA 93.703; and Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations, CFDA Number 93.779.
7. The threshold for distinguishing between Type A and Type B programs was \$300,000.
8. JCHCC did not qualify as a low-risk auditee.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESSES:

Finding 10-1 Fixed Assets Schedule Not Adequately Maintained

Criteria:

The Louisiana State Revised Statute 24:515(b) requires that all governments "shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable."

Condition:

A fixed asset detail had to be created subsequent to year end in order to account for JCHCC's fixed assets.

Cause:

Ineffective internal accounting controls related to fixed assets.

Effect:

The lack of adequate internal controls over fixed assets and related accounting transactions compromises the safeguarding and record keeping of fixed assets.

Recommendation:

Adequate accounting policies and procedures relating to fixed assets should be adopted and implemented.

Response:

JCHCC has recently performed an inventory of fixed assets and created policy and procedures for purchasing, maintaining, and accounting for all fixed assets. All fixed assets are clearly labeled "Property of JCHCC" and assigned an asset id, an itemized listing of all assets are maintained in the Fixed Asset module, including purchase price, book value, depreciation expense, location and responsible person.

At the July 29, 2010 Board Meeting a New Accounting Policy and Procedures Manual was adopted by the board and the following procedures are currently being implemented; Fixed Assets are defined as land, buildings, equipment, and machinery over \$500.00, vehicles, and leasehold improvements. All fixed asset purchases require prior written approval by the CEO on a requisition to purchase form and a purchase order from the Finance Department.

JCHCC also purchased Fixed Asset software that interface's with the Sage MIP Fund Accounting software currently being used in the Finance Department. All fixed assets will be recorded into the Fixed Assets module. Once the Fixed Asset is purchased, a numbered "Property of JCHCC" tag is placed on the asset. The asset is recorded into the Fixed Asset

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

module with the manufactures name and serial number, JCHCC tag number, responsible party, location, purchase price, invoice/check number, depreciation value, estimated life, acquisition date.

Finding 10-2 Inaccurate and Untimely Financial Statements and Reconciliations

Criteria

Financial statements, along with supporting general ledger accounts, should be reconciled and reviewed by the CFO/management monthly.

Condition:

Financial statements of JCHCC are inaccurate and not prepared timely primarily due to bank reconciliations not being accurately prepared in a timely manner.

Cause:

An appropriate level of CFO/management supervision and review related to bank reconciliations and financial statements preparation was not timely. A lack of experienced accounting personnel to perform the bank reconciliations is causing the CFO to recreate reconciliations, therefore, delaying their completion.

Effect:

Without accurate financial statements prepared in a timely manner, the financial condition and results of operations of an organization is indeterminable. Additionally, there is a substantial risk that omissions, errors, and/or irregularities exist and not be detected.

Recommendation:

JCHCC should investigate the need to hire a senior level accountant to assist the CFO. The senior level accountant would be responsible for the preparation of bank reconciliations and monthly financial statements.

Response:

JCHCC's Finance Committee meets the third Thursday of each month, in order to facilitate management control; the CFO is required to submit the appropriate interim financial statements and reports of financial position, operating results and other pertinent information, in accordance with GAAP and FASB 117. These reports are submitted to the Full Board for review, the week following and a copy is maintained for the records.

To verify completeness and accuracy of the Financial Statements, the following procedures are currently being implemented. The Senior Accountant is responsible for preparing monthly bank reconciliation's for all bank accounts but the payroll account. To maintain segregation of duties the Junior Accountant prepares the payroll bank reconciliation. The Senior and Junior Accountants analyze all balance sheet accounts monthly for accuracy; a final review is performed by the CFO.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Finding 10-3 Unpaid Payroll Taxes

Criteria:

Payroll taxes must be remitted timely and in accordance with federal and state rules and regulations.

Condition:

JCHCC did not include certain employee compensation and allowance payments on employee Form W-2s.

Cause:

JCHCC has incurred payroll tax penalties and interest.

Effect:

There is penalties and interest from both the federal and state government regarding the underpayment of payroll taxes.

Recommendation:

It is recommended that JCHCC ensure that all amounts paid to employees as compensation are properly included on IRS Form W-2.

Response:

The Senior Accountant is ultimately responsible for paying payroll taxes and filing all payroll related reports. Payroll guidelines and procedures have been set to ensure the timely payment of biweekly federal and state payroll taxes, quarterly 941 reports and the filing of W-2/W-3 forms. JCHCC is a semi-weekly depositor, with a Friday pay date; employment taxes are due as indicated:

1. Federal tax – Wednesday following the Friday pay date
2. State -15th and 30th of each month
3. SUTA -due no later than the last day of the month immediately following the end of each quarter.

Once a weakness is identified, JCHCC invests in their employees by sending them to training. JCHCC has also contracted with a CPA to review payroll liabilities and ensure accuracy and timely filing.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

SIGNIFICANT DEFICIENCIES:

Finding 10-4 Accounting Policies and Procedures

Criteria:

Accounting policies and procedures should be documented and approved by the Board of Directors.

Condition:

JCHCC did not have an adequate and updated accounting policies and procedures manual for the first half of 2010. In July 2010 the Board of Directors approved such policies and procedures. All of these policies and procedures were not fully implemented by the year end.

Cause:

The new CFO was not hired until June 2010 and was unable to fully implement the Board approved policies and procedures.

Effect:

There was an overall lack of knowledge by the accounting staff with regard to accounting policies and procedures.

Recommendation:

JCHCC should strive to continue implementing its accounting policies and procedures and train its employees on such policies and procedures.

Response:

The CFO is currently reviewing and updating the Accounting Policies and Procedures Manual. The updated Manual will be submitted to the Finance committee for review and to the full Board of Directors for approval. Once adopted by the Board of Directors, the Accounting Policies and Procedures Manual will be distributed to the entire Finance Team.

The CFO has implemented weekly staff meeting to review and discuss accounting policies and procedures with the Finance team.

Finding 10-5 ATM Supporting Documentation Inadequate

Criteria:

Appropriate supporting documentation should be maintained with regards to the disbursement of funds and subsequent reporting of those transactions in an organization. A debit card can secure purchases without management approval.

Condition:

In the first half of 2010, there were several immaterial general ledger postings entitled "ATM" without adequate supporting documentation as to the purpose of the cash transaction.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Cause:

The use of a debit card does not allow for proper approval of expenditures prior to purchase and makes it difficult to maintain appropriate supporting documentation related to cash expenditures.

Effect:

The lack of adequate accounting controls and supporting documentation related to debit card transactions may have resulted in unauthorized purchases.

Recommendation:

JCHCC should implement a debit card policy and limit access to such cards.

Response:

JCHCC has implemented a credit card usage policy. The Finance Department is responsible for the issuance, accounting, monitoring, retrieval, and general oversight of compliance with this Credit Card Policy.

At the September 23, 2010 Finance Committee meeting the board given approval for JCHCC to apply for and obtain a credit card for employee travel/ training, conference has and purchase is of necessity. The ATM/debit card has been discontinued and destroyed.

All purchases are approved by the CEO, CFO or CMO, prior to the purchase. All credit card purchases are supported with an approved "request to purchase" or "purchase order", a receipt, indicating date of purchase and item or service purchased.

At the time of use, The CFO receives an email notification (bank alert) verifying date, vendor and amount of purchase. The email notifications are compared to approved supporting documentation and the bank statements, monthly.

Finding 10-6 Segregation of Accounting Duties

Criteria:

Accounting duties should be segregated so that no employee has access to assets and also to the related accounting records. Ideally, different employees should be responsible for accounting transactions (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

Condition:

Accounting duties related to journal entries, payroll, account and bank statement reconciliations, and accounts receivable and payables are being performed by employees with inadequate experience and limited accounting knowledge. As a result, the CFO is required to complete most accounting tasks. The CFO's significant involvement in most accounting functions results in a lack of segregation of duties.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Cause:

Lack of an experienced accounting staff to perform accounting duties.

Effect:

The CFO was required to perform a majority of accounting duties, therefore, the accounting duties were not properly segregated.

Recommendation:

It is recommended that JCHCC evaluate the experience level of its Accounting Department. JCHCC should also investigate the need to hire a senior level accountant to assist the CFO.

Response:

It is the responsibility of the CFO to ensure that all duties are segregated in compliance with Sarbanes Oxley for Non Profits organizations. The CFO is evaluating the experience level of its Finance Department and recommending training, where appropriate. Under the recommendation of the independent auditors, the CFO will hire a senior level accountant to assist with the daily operations of the Finance Department.

The duties and responsibilities of the Finance staff is currently under review; job descriptions will be modified to effectively control risk through segregation of duties.

Finding 10-7 Adequate Review of Invoices

Criteria:

Invoices submitted for payment should be reviewed for reasonableness along with compliance with contractual agreements.

Condition:

JCHCC paid invoices for contracted professional services by the interim CEO that exceeded contract terms. In some instances, contract travel expenses appear to be excessive in nature. Additionally, JCHCC entered into a professional service contract in April 2010 with the interim CEO which appears to overlap with another professional services contract JCHCC entered into with the interim CEO.

Cause:

JCHCC did not review the invoices mentioned above adequately to determine they complied with contracted terms.

Effect:

JCHCC may have overpaid for contracted services and paid for expenses that they may not be contractually obligated to pay.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Recommendation:

Management should perform a thorough review of invoices to ensure they are in compliance with contracted terms prior to payment and avoid overlapping contractual duties.

Response:

JCHCC recently hired an Office Services Coordinator. The Office Services Coordinator is responsible to negotiate with contractors/vendors and to review invoices for compliance and reasonableness prior to payment.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

Finding 10-8 Violation of Louisiana State Bid Law

Criteria:

Louisiana State Bid Law (La. R.S. 38:2211-2296) requires at least three telephone, facsimile, or written quotations be obtained and documented on purchases of equipment between \$10,000 and \$20,000. Furthermore, a purchase exceeding \$20,000 requires that the procurement be advertised and awarded to the lowest responsive and responsible bidder.

Condition:

Certain medical and dental equipment purchases were made in 2010 and contracts were entered into without requests for bids and/or responses to the requests to support the selection process. Approximately \$272,000 of equipment purchases exceeded the \$20,000 requirement and approximately \$28,000 of equipment purchases ranged between \$10,000 and \$20,000. These equipment purchases were purchased through a recurring vendor specializing in medical equipment.

Cause:

A lack of policies and procedures surrounding the bid law process.

Effect:

Certain purchases were made that may not have efficiently benefited the organization.

Recommendation:

JCHCC should implement policies and procedures that follow Louisiana State Bid Law.

Response:

The Accounting Policy and Procedures Manual adopted at the July 22, 2010 Board of Director's meeting, adopted at the July 22, 2010 Board of Director's meeting, mandates a minimum of three competitive bids for all goods and services over \$25,000. At the discretion of the CFO or CEO, competitive bids may be obtained for other goods and services, as deemed appropriate. Competitive bids should be in writing and contain all payment order specifications.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

For all goods and services in excess of \$25,000 will require a competitive bid and must be approved by the Board of Directors; Once bids are received, reviewed, and rated, the designated personnel requesting goods and/or service will provide bid review ratings with a recommendation to the CEO or the CEO's designee, for approval.

The CEO or CFO will present the health center's decision to the Finance Committee for recommendation to the Board for approval. A purchase order will be issued once the approval process is completed.

Original files will remain in the custody of the department requiring goods or service; copies of all bid records are maintained in the Finance Department. Sufficient documentation includes, copy of RFP (for goods and services over \$25,000), all competitive bids received, documentation supporting the decision-making process, purchase order and any change orders, when appropriate.

For goods and services less than \$25,000, approval is required from the CEO, CMO or CFO, and three competitive bids are required. Once bids are received, reviewed, and rated, the designated personnel requesting goods and/or service will provide bid review ratings with a recommendation to the CEO or the CEO's designee, for approval. A purchase order will be issued once the approval process is completed.

Original files will remain in the custody of the department requiring goods or service; copies of all bid records are maintained in the Finance Department. Sufficient documentation includes, copy of RFP (for goods and services over \$25,000), all competitive bids received, documentation supporting the decision-making process, purchase order and any change orders, when appropriate.

JCHCC recently hired an Office Services Coordinator. The Office Services Coordinator under the direction of the CEO and CFO. The Office Services Coordinator's is responsible for reviewing and revising JCHCC's procurement policy and procedures in accordance with the State of Louisiana and the Federal Government's bid law's.

The Office Service Coordinator will notify JCHCC staff of revised procurement policy and procedures and ensure adherence.

Finding 10-9 Retainer Fees

Criteria:

Louisiana State Constitution of 1974, Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the State or any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. The Louisiana Attorney General has issued several opinions stating that retainers violate this section of the State Constitution.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Condition:

JCHCC paid retainers fee of \$53,700 in 2010 on two (2) professional services contracts with the interim CEO before service was rendered, thereby constituting a possible loan of public funds and therefore, a possible violation of the Louisiana State Constitution.

Cause:

JCHCC signed a professional service contract which requires for a retainer fee without knowledge of the requirements possible legal restrictions.

Effect:

JCHCC is in possible violation of the State Constitution.

Recommendation:

Management should negotiate contracts without retainer fees.

Response:

JCHCC's management team and Board of Directors have been informed of Louisiana State Constitution of 1974, Article 7, Section 14(A) and will no longer sign professional services contracts which require a retainer fee.

Finding 10-10 Defined Contribution Plan – Employee Contributions

Criteria:

The Department of Labor (DOL) requires employee contributions be remitted to the trustee/custodian on a timely basis under DOL Regulation 2510.3-102.

Condition:

JCHCC withheld contributions from employee payroll in 2010 but failed to timely remit employee contributions to the trustee/custodian.

Cause:

An appropriate level of management supervision and review related to these transactions was not provided.

Effect:

JCHCC is required to report delinquent contributions on Line 4a of Schedule H of the IRS Form 5500 and may be assessed fines and / or penalties by the Department of Labor.

Recommendation:

JCHCC should develop policies and procedures to ensure employee contributions are for the amount elected by the participant and remitted on a timely basis. The Department of Labor states employee contributions should be segregated from employer assets as soon as practicable, but in no event more than 15 business days following the month in which amounts are contributed by employees or withheld from their wages.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Response:

JCHCC has recently hired a senior level accountant with experience in Human Resources. JCHCC has put procedures in place to assure timely filing of employee contributions.

Finding 10-11 Deposit Collateral

Criteria:

Louisiana Revised Statute 39:1225 requires that the security for deposits at all times be equal to one hundred percent (100%) of the amount of collected funds on deposit to the credit of each depositing authority, except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Condition:

We noted that the bank deposits of JCHCC at December 31, 2010 were uncollateralized by approximately \$1.7 million.

Cause:

JCHCC did not proceed with plans to secure their funds with their fiscal agent.

Effect:

JCHCC is in violation of State law. (Louisiana Revised Statute 39:1225)

Recommendation:

Management should negotiate a contract with its fiscal agent stipulating that deposits must be fully insured or collateralized.

Response:

Louisiana Public Health Institute (LPHI) administrator of the PCASG funding source requires a designated bank account for its funding stream, which at times were in excess of the FDIC threshold.

JCHCC's Board of Directors has given the CFO authority to negotiating a contract with JCHCC's fiscal agent stipulating that deposits are fully insured or collateralized.

Finding 10-12 Delinquent Audit Report Submission

Criteria:

According to Louisiana Revised Statute 24:513A. (5)(a), ".....audits shall be completed within six (6) months of the close of the entity's fiscal year."

Condition:

The audit of the financial statements of JCHCC was not completed within six (6) months of the close of its fiscal year.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Effect:

JCHCC's inability to provide audited financial statements within the required time frame may result in further review by the Legislative Auditor of the State of Louisiana and/or other funding sources.

Cause:

The financial statements were not prepared in a timely manner.

Recommendation:

JCHCC should investigate the need to hire a senior level accountant to assist the CFO to ensure that financial statements are prepared in a timely manner.

Response:

Ultimately, the CFO will be held responsible for timely submission of the Audit Report to the Legislative Audit Advisory Council, HRSA, LPCA and the Federal Audit Clearinghouse within 30 days of completion in accordance with the Single Audit Act of 1984 (with amendment in 1996).

The CEO and CFO have evaluated all positions, staff and qualification within the Finance Department. We recognize a need for additional training of current staff and the hiring of a senior level accountant/manager to assist the CFO and manage the day to day functions of the Finance Department. A senior level accountant with non-profit and management experience will be hired by the end of September, 2011.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

10-13 Documentation of Required Proof of Eligibility

Criteria:

The federal grant from the Department of Human Services requires the sliding payment scale to be based on federal poverty guidelines.

Condition:

No proof of income was retained by JCHCC.

Cause:

The information was not provided during our audit.

Effect:

Inability to determine the income level of patients makes determination of eligibility impossible.

Recommendation:

All required patient income verification information should be maintained on file.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2010

Response:

JCHCC hired a Billing Manager and is currently training all clinical check in and check out staff on obtaining and verification of patient income as required by the Department of Human Services prior to placing them on the sliding payment scale.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2009

- 09-01 Potential Fraudulent Transactions - Resolved
- 09-02 Incomplete, Untimely, and Unreconciled Financial Statements - Unresolved
- 09-03 Commingling of Funds - Resolved
- 09-04 Fixed Assets Schedule Not Maintained - Unresolved
- 09-05 Operations and/or Accounting Manuals Not Updated - Unresolved
- 09-06 ATM Purchase Details Unavailable - Unresolved
- 09-07 Inadequately Documented Employee Earnings - Unresolved
- 09-08 No Supporting Documentation on Various Expenditures - Resolved
- 09-09 Delinquent Audit Report Submission - Resolved
- 09-10 Bid Files Not Maintained - Unresolved
- 09-11 Unpaid Payroll Taxes - Unresolved
- 09-13 Segregation of Accounting Duties -- Unresolved
- 09-14 Bank Reconciliations -- Unresolved
- 09-15 Deposit Collateral -- Unresolved
- 09-16 Maintenance of Required Federal Reports -- Resolved
- 09-17 Grant Documents Incomplete - Resolved