Health Education Authority of Louisiana

Financial Statements

For the Fiscal Year Ended June 30, 2013

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J. WALKER & COMPANY APC
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Health Education Authority of Louisiana
New Orleans, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Health Education Authority of Louisiana ("HEAL"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements as listed in the table of contents.

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 opinions 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. Those standards require that we plan and perform the audit 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of HEAL, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

HEAL has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014 on our consideration of HEAL's internal control over financial reporting and our test 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 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.

J. Walker & Company, APC

Lake Charles, Louisiana
July 28, 2014

Basic Financial Statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA

Statement of Net Position
As of June 30, 2013

	Governmental Activities
ASSETS	
Cash & cash equivalents - unrestricted	$ 83,275
Interest receivable	31,633
Capital assets, net	5,020
Investments	1,769,219
Total Assets	$ 1,889,147
LIABILITIES	
Accounts payable	$ 58,332
Total Liabilities	58,332
NET POSITION	
Invested in capital assets	5,020
Unrestricted	1,825,795
Total Net Position	1,830,815
Total Liabilities and Net Position	$ 1,889,147

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA

Statement of Activities
For the Fiscal Year Ended June 30, 2013

	General Revenues				Net (Expenses), Revenues, and Changes Primary Government		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 240,232	$ 223,947	$ -	$ -	$ (16,285)	$ -	$ (16,285)
Total Governmental Activities	240,232	223,947	-	-	(16,285)	-	(16,285)
Business-Type Activities:	-	-	-	-	-	-	-
Total:	$ 240,232	$ 223,947	$ -	$ -	$ (16,285)	$ -	$ (16,285)
General Revenues:							
Earnings on investments					$ 39,284	$ -	$ 39,284
Intergovernmental					-	-	-
Total General Revenues					$ 39,284	$ -	$ 39,284
Change in Net Position					22,999	-	22,999
Net Position - Beginning					1,807,816	-	1,807,816
Net Position - Ending					$ 1,830,815	$ -	$ 1,830,815

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Governmental Fund
Balance Sheet
As of June 30, 2013

	General Fund
ASSETS	
Cash & cash equivalents - unrestricted	$ 83,275
Interest receivable	31,633
Investments	1,769,219
Total Assets	$ 1,884,127
LIABILITIES	
Accounts payable	$ 58,332
Total Liabilities	58,332
FUND BALANCE	
Unassigned	1,825,795
Total Fund Balance	1,825,795
Total Liabilities and Fund Balance	$ 1,884,127

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2013

	General Fund
Revenues:	
Parking garage rental fees	$ 223,947
Interest income	39,284
Total Revenues	263,231
Expenditures:	
Salaries and wages	129,700
Employee benefits	46,436
Professional services	33,500
Travel	11,079
Office	11,987
Dues and subscriptions	1,600
Communications	2,220
Equipment rentals	1,520
Total Expenses	238,042
Change in Fund Balance	25,189
Fund Balance at Beginning of Year	1,800,606
Fund Balance at End of Year	$ 1,825,795

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
For the Fiscal Year Ended June 30, 2013

Total fund balances - governmental funds		$ 1,825,795
The cost of capital assets (furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. In the Statement of Activities these costs are allocated over their estimated useful lives as a depreciation expense. Because depreciation does not affect financial resources, it is not reported in governmental funds.		
Costs of capital assets	9,870	
Depreciation expense to date	(4,850)	
		5,020
Net position of governmental activities		$ 1,830,815

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Total net change in fund balances - governmental funds		$ 25,189
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period:		
Capital outlay	-	
Depreciation expense	(2,190)	
		(2,190)
Change in net assets of governmental activities		$ 22,999

The accompanying notes are an integral part of the financial statements

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

Health Education Authority of Louisiana (HEAL) was created in 1968 in an effort to develop the medical corridor within a ten mile radius of the Medical Center of Louisiana at New Orleans (MCLNO) (formerly Charity Hospital). HEAL is a corporate and public body and an instrumentality of the State of Louisiana exercising public and essential governmental functions. It was created by Act 112 of the 1968 Regular Session of the Legislature and operates under said Act, as amended, which now appears as R.S. 17:3051-3060. HEAL is governed by a Board of Trustees consisting of the governor as ex officio trustee and thirteen (13) members selected pursuant to the requirements for membership contained in Act 112.

HEAL's primary mission is to plan, acquire and/or construct facilities within a ten-mile radius of the MCLNO and provide for financing, usually through revenue bonds, of such projects. HEAL may incur debt and issue bonds, for the LSU Health Sciences Center in Shreveport, Louisiana. HEAL is also responsible for the operation of a parking garage located in New Orleans, Louisiana. Although HEAL is an independent organization, its financial activities and transactions are included in the financial statements of the State of Louisiana. In addition, human resource and fiscal controls are also managed by the State of Louisiana.

Scope of Reporting Entity

Entity status for financial reporting purposes is governed by GASB Statement No. 14, *The Financial Reporting Entity,* and No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14.* The GASB is the standard-setting body for the establishment of GAAP in governmental entities.

For the purposes of these financial statements, the State of Louisiana is the financial reporting entity. The financial reporting entity consists of (a) the primary government (state), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

HEAL is considered a component unit of the State of Louisiana because the state has financial accountability over HEAL in that the Louisiana Joint Legislative Committee on the Budget has the authority to approve and amend HEAL's budget and the governor appoints a majority of the Board of Trustees and can impose his/her will on HEAL. The accompanying financial statements present information only on the funds maintained by HEAL and do not present information on the state, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

HEAL is a party to a multi-party lease operating agreement with the State of Louisiana (ground lease), APCOA LaSalle Parking Company, LLC and Tulane Educational Fund that resulted in the construction and operation of a parking garage located at 300 LaSalle Street, New Orleans, Louisiana. The garage construction was funded by bonds issued by HEAL and financed by net revenues derived from the operations of the parking garage. These financial statements also do not include financial transactions, assets or obligations related to the bonds issued by HEAL for the construction and operations of the parking garage. The accompanying financial

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

statements present information only related to the operating activities of HEAL arising from the fees received from the parking garage operations and HEAL's operating expenses.

Principles of Accounting

HEAL's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP).

Fund Accounting

HEAL uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The fund of HEAL is classified as a governmental fund (General Fund), which accounts for HEAL's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of fixed assets.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include all the financial activities of HEAL.

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from the exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed).

Fund Financial Statements

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the governmental-wide statements and the statements for the governmental funds are prepared. Governmental fund financial statements also include reconciliations with brief explanations to better identify the relationship between the governmental-wide statements and statements for governmental funds.

Fund Equity

Beginning with fiscal year 2011, HEAL implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition.* This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the government's fund balance more transparent. The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which HEAL is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The following classifications

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable*- resources which cannot be spent because they are either (a) not in spendable form (such as prepaid items) or ; (b) legally or contractually required to be maintained intact.

- *Restricted*- resources with constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed*- resources which are subject to limitations or constraints to specific purposes the entity imposed upon itself at its highest level of decision making (the Board of Trustees). These amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

- *Assigned*- resources neither restricted nor committed for which HEAL has a stated intended use as established by the Board of Trustees to which the Board has delegated the authority to assign amounts for specific purposes.

- *Unassigned*- resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by the passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, debt service, or for other purposes).

HEAL would typically use fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

As of June 30, 2013 the statement of net position reports $1,825,795 of unrestricted net position.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. Enterprise fund equity is classified the same as in the government-wide statements.

<u>Operating Budget</u>

HEAL adopts a budget for consideration by the Louisiana Department of Health and Hospitals (DHH) in the preparation of their operating budget of expenditures. Appropriations for HEAL are listed on the DHH's budget as a separate line item.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Accounts Payable

Accounts payable consists of amounts due to the State of Louisiana Department of Health and Hospitals as reimbursement of expenses paid on behalf of HEAL. On a quarterly basis, HEAL receives an invoice from DHH listing all expenses incurred by HEAL and approved by DHH. Upon receipt of this invoice, HEAL records all expenses and the corresponding payable amount in their accounting records. HEAL then reimburses DHH, eliminating the payable.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing deposits, and time deposits. Under state law, HEAL may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Fair Value

HEAL has adopted certain provisions of FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures". ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires HEAL to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

Human Resources

HEAL personnel are employees of the State of Louisiana Department of Health and Hospitals and are accordingly members of the State retirement system. The costs associated with their personal services are reported as salaries and employee benefits.

Income Taxes

No provision is made for income taxes because, as a public trust whose beneficiary is the State of Louisiana, HEAL is exempt from federal and state income taxes.

Interest Receivable

Interest receivable consists of interest that has accrued on the various certificates of deposit held by HEAL. Management believes all interest to be collectible; therefore, no allowance for doubtful accounts is recorded.

Investments

Under state law, HEAL may invest in United States bonds, treasury notes, or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

The investments are reflected at fair value except for the following which are permitted per GASB Statement No. 31:

- Investments in *non-participating* interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

- HEAL reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

- Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

- Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

At June 30, 2013 HEAL had investments summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Certificates of Deposit, Maturities greater than 90 days	$ 1,769,219	$ -	$ -	$ 1,769,219
Total	$ 1,769,219	$ -	$ -	$ 1,769,219

Parking Garage Revenues

HEAL is a party to an operating lease for a parking garage owned by the State of Louisiana and operated by APCOA LaSalle Parking Company, LLC. HEAL receives minimum lease payments in connection with the lease. This lease payment increases by 3% each year. In addition, HEAL receives percentage rent payments under the lease agreement based upon an agreed-upon formula. The organization received a percentage rent payment for the year ended June 30, 2013 in the amount of $3,667.

Capital Assets

Effective October 01, 2010 HEAL adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* The effect of this adoption was to establish new categories for fund balance reporting and revise the definitions of governmental fund types.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is $500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives, depending upon the expected durability of the particular asset:

Description	Estimated Lives
Computer and Peripheral Equipment	4-5 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years
Building Improvements	40 years

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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 2 – Investments

As of June 30, 2013 the carrying value of investments consisted of the following:

Certificates of Deposit	$ 1,769,219

Note 3 – Capital Assets

Capital assets and depreciation activity for the fiscal year ended June 30, 2013 for HEAL is as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities:				
Capital assets being depreciated:				
Buildings & building improvements	$ -	$ -	$ -	$ -
Furniture and equipment	11,049	-	1,179	9,870
Vehicles	-	-	-	-
Total capital assets being depreciated	11,049	-	1,179	9,870
Less accumulated depreciation:				
Buildings	-	-	-	-
Furniture and equipment	3,839	2,190	1,179	4,850
Vehicles	-	-	-	-
Total accumulated depreciation	3,839	2,190	1,179	4,850
Total capital assets being depreciated, net	7,210	(2,190)	-	5,020
Governmental activities:				
Capital assets, net	$ 7,210	$ 4,239	$ -	$ 5,020

Depreciation expense of $2,190 for the fiscal year ended June 30, 2013 was charged to the following governmental functions:

General Government	$ 2,190

Note 4 – Fair Value of Financial Instruments

In accordance with FASB ASC Topic 820, fair value is defined as the price that HEAL would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of HEAL's assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Note 4 – Fair Value of Financial Instruments (Continued)

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. HEAL's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

HEAL recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. All fair value measurements are considered recurring Level 1 measurements as of June 30, 2013.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. HEAL's significant financial instruments are cash, accounts receivable, accounts payable and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 5 – Concentration of Risk

The cash equivalents and investments of HEAL are subject to the following risks:

- Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. HEAL does not have a policy addressing interest rate risk.

- Credit Risk: HEAL's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, HEAL may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. HEAL may invest in United States bonds, treasury notes and bills, government backed agency securities or certificates and time deposits of state banks organized under Louisiana law and national banks having principal officers in Louisiana.

- Custodial credit risk is the risk that in event of a bank failure, the government's deposits may not be returned to it. HEAL's cash and investment policy, as well as state law, require that deposits be fully secured. HEAL's cash and investment balances are maintained at multiple financial institutions in the New Orleans, Louisiana area. These balances are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of 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 bank. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage on non-interest bearing and interest bearing accounts for deposits up to $250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each ownership category. As of June 30, 2013 bank account balances were insured by federal depository insurance with 100 percent of the excess balance collateralized by pledged securities held in the name of HEAL.

Note 5 – Concentration of Risk (Continued)

HEAL's primary source of revenue is the annual fee received by APCOA LaSalle Parking Company, LLC., per the lease agreement dated December 31, 1998. Loss of this revenue would result in HEAL's inability to maintain its current level of operations. However, management considers the likelihood of loss of this income remote, as the current lease is in effect until December 31, 2030.

Note 6 – Lease Agreements

HEAL is a party to an operating lease for a parking garage owned by the State of Louisiana. In 1972, HEAL entered into a thirty (30) year land lease agreement with the State of Louisiana. This agreement grants HEAL the authority to construct improvements upon the leased premises, consisting of a multi-level parking garage and an office building. The original parking garage consisted of approximately eight hundred thirty-seven (837) parking spaces which are managed by APCOA LaSalle Parking Company, LLC.

On December 1, 1998, HEAL extended its existing lease agreement with APCOA LaSalle Parking Company, LLC until December 31, 2030 for the management and operation of the parking facility. This lease extension included a multi-level expansion of the existing parking garage to add approximately five hundred sixteen (516) additional parking spaces. The lease agreement is considered to be a capital lease, and accordingly, the parking facility is reflected on the financial records of the management company. Upon termination of the current agreement, the parking facility will revert back to HEAL. HEAL receives an annual fee from APCOA LaSalle Parking Company, LLC which increases by 3% from the previous year. As of June 30, 2013, HEAL received $223,947 in fees from APCOA.

HEAL also has a servitude agreement with the Tulane Education Fund, which guarantees parking contracts for Tulane affiliates. Under the contract, Tulane has agreed to service the payments of the debt obligation throughout the life of the bond in exchange for use of the facility. During the year ended June 30, 2013, Tulane paid $647,750 towards the servicing of the debt obligation.

Note 7 – Conduit Debt Obligations

Occasionally, HEAL issues Taxable Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. In 1998, HEAL entered into an agreement with the Board of Administrators of the Tulane Educational Fund (Tulane University of Louisiana) to issue $9,350,000 in bonds for the extension of and improvements to HEAL's existing parking garage, and the addition of a skybridge to connect to the Tulane Medical School. The bonds are secured by the building's improvements, and are payable solely from income and revenues derived from Tulane. As such, the bonds shall never constitute an indebtedness or pledge of the general credit of HEAL or the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness or otherwise. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Upon repayment of the bonds, ownership of the acquired improvements transfers to HEAL. For the fiscal year ended June 30, 2013, Tulane paid $647,750 towards the servicing of the debt obligation.

Note 7 – Conduit Debt Obligations (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	210,000	435,150	645,150
2015	225,000	421,920	646,920
2016	235,000	407,745	642,745
2017	250,000	392,940	642,940
2018	270,000	377,190	647,190
2019	285,000	360,180	645,180
2020	305,000	342,225	647,225
2021	325,000	322,400	647,400
2022	345,000	301,275	646,275
2023	365,000	278,850	643,850
2024	390,000	255,125	645,125
2025	415,000	229,775	644,775
2026	440,000	202,800	642,800
2027	470,000	174,200	644,200
2028	500,000	143,650	643,650
2029	535,000	111,150	646,150
2030	570,000	76,375	646,375
2031	605,000	39,325	644,325
	$ 6,740,000	$ 4,872,275	$ 11,612,275

Note 8 – Board of Trustees Compensation

The Board of Trustees consists of the governor as ex-officio trustee, twelve (12) members appointed by the governor, and one (1) member appointed by the mayor of the city of New Orleans. These members are selected pursuant to the requirements for membership contained in Act 112.

No member of the Board of Trustees received compensation or per diem for services during the fiscal year ended June 30, 2013.

Note 9 – Subsequent Events

Management of HEAL have evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 28, 2014, the date the financial statements were available to be issued.

Note 9 – Subsequent Events (Continued)

On December 10, 2013, HEAL filed a Petition for Declaratory Judgment and Damages against APCOA LaSalle Parking Company, LLC ("ALPC") alleging that ALPC was in breach of the lease/operating agreement under which ALPC operates the HEAL owned parking garage located at 300 LaSalle Street in New Orleans, Louisiana. ALPC filed a reconventional demand against HEAL alleging that HEAL has interfered with ALPC's quiet enjoyment and possession of the property seeking unspecified costs, expenses and attorneys' fees. The matter is in the discovery phase, and there is no trial date. Although the results of the Petition cannot be predicted with certainty, management believes the final outcome will not have a material adverse impact on HEAL's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Parking garage rental fees	$ 220,280	$ 223,947	$ 3,667
Total revenues	$ 220,280	$ 223,947	$ 3,667
EXPENDITURES			
Salaries and wages	$ 129,700	$ 129,700	$ -
Employee benefits	49,340	46,436	2,904
Professional services	44,506	33,500	11,006
Travel	18,000	11,079	6,921
Office	33,158	11,987	21,171
Dues and subscriptions	-	1,600	(1,600)
Communications	2,116	2,220	(104)
Equipment rentals	-	1,520	(1,520)
Total expenses	$ 276,820	$ 238,042	$ 38,778

J. WALKER & COMPANY APC
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' 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 Trustees
Health Education Authority of Louisiana
New Orleans, Louisiana

We have audited, 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, the financial statements of the governmental activities of Health Education Authority of Louisiana ("HEAL"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements and have issued our report thereon dated July 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HEAL'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 HEAL's internal control. Accordingly, we do not express an opinion on the effectiveness of HEAL's internal control.

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. 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify four deficiencies in internal control, described as 2013-01, 2013-02, 2013-03,. and 2013-04 in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether HEAL'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

HEAL's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HEAL'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. Under Louisiana Revised Document Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
July 28, 2014

Schedule of Findings and Questioned Costs

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

I. Summary of Auditors' Report

a. Financial Statements

1. The auditors' report expresses an unqualified opinion on the financial statements of Health Education Authority of Louisiana.

2. Four control deficiencies disclosed during the audit of the financial statements is reported in the *Independent Auditors' 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.*

3. No instances of noncompliance material to the financial statements of Health Education Authority of Louisiana are reported in the *Independent Auditors' 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.*

b. Federal Awards

The entity did not expend $500,000 or more in federal awards during the year ended June 30, 2013 and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations.*

c. Management Letter

A management letter was issued in connection with the audit for the year ended June 30, 2013.

II. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2013-01 – General Accounting

Condition:
It was noted during the prior year's audit engagement that HEAL did not have a complete general ledger system in place. As a result, the financial statements of HEAL did not assure that all transactions executed by the organization were properly accounted for and reconciled to the general ledger. This posed a problem with assuring that all certificates of deposit and accrued interest were accounted for as they matured. The organization's lack of a complete general ledger system was also apparent during the current engagement as instances were noted where transactions related to interest receivable and interest income were either improperly recorded or unrecorded in the accounting system.

Criteria:
The entity should maintain complete and accurate accounting records by using the generally accepted accounting principles.

Cause:
The lack of following the generally accepted accounting principles is a result of inexperience and a lack of knowledge of accrual based accounting.

Effect:
Revenues and accounts receivable can potentially be materially misstated due to the erroneous accrual of interest. Also, the misstatement of the financial statements could result in serious misrepresentations of HEAL's financial position and results of operations.

Recommendation:
Management should utilize interest related information received from its financial or investment institution to make the proper adjusting entry and should not rely on its own formula to accrue for interest.

Response:
See management's response letter.

2013-02 – Improper Accounting Records

Condition:
Instances were noted where transactions were not posted to the general ledger at the time of occurrence. Instead, lump sum adjustments were made at year-end. Also, it was noted that a Certificate of Deposit which was originally at one financial institution was transferred to another but the transfer was not properly reflected in the accounting records.

Criteria:
Proper controls over financial records require that transactions be accurately recorded on a timely basis.

Cause:
Failure to apply generally accepted accounting principles is the result of a lack of internal controls over financial reporting.

Effect:
The financial records of the entity could become materially misstated due to the untimely posting of transactions. Also, the general ledger could be considered misleading due to funds being inaccurately reflected as being held at the incorrect financial institution.

Recommendation:
We recommend that the entity continue to educate and train its staff on the proper use of the accounting system to help ensure that the organization's financial data is accurately recorded, processed, and reported on a timely basis.

Response:
See management's response letter.

2013-03 – Lack of Oversight by the Board of Trustees

Condition:
Our audit disclosed that during the fiscal year ended June 30, 2013, the Board of Trustees only held one board meeting.

Criteria:
The Board derives its authority from Louisiana State Act 112 of 1968. Under this Act the Board of Trustees was vested with authority and the responsibility of governing the organization by establishing broad policies and carrying out the intent of the organization.

Cause:
It is indeterminable as to why the Board was unable to meet more frequently throughout the year.

Effect:
Failure to properly meet and conduct business could potentially cause the organization to violate state laws, or fail to meet certain compliance regulations.

Recommendation:
The Board should establish a schedule for monthly meetings. This schedule should be provided to members at the start of the fiscal year to allow for proper time to plan attendance. New board members should be provided with information outlining their responsibilities as a board member. The Board should take necessary steps to have all vacant seats filled, in order that the Board may have sufficient members for a quorum.

Response:
See management's response letter.

2013-04 – Improper Transfer of Assets

Condition:
It was noted that during the audit period, funds held in certificates of deposit in excess of $430,000 were transferred from one financial institution to another without the proper authoritative consent of the Board of Trustees. Board minutes and resolutions authorizing the Executive Director to access all accounts to act on behalf of HEAL was provided; however, the documentation provided does not grant the authority to the Executive Director to transfer or move assets in HEAL's control.

Criteria:
Assets of HEAL are under the governing authority of the Board of Trustees; as such, the Board makes decisions regarding the care, control, and transfer of the organization's assets.

Cause:
The Executive Director closed a certificate of deposit account with one financial institution and transferred the funds into a certificate of deposit account which was opened at another financial institution without written approval or consent from the Board of Trustees.

Effect:
The Executive Director exercised absolute authority over financial assets of HEAL by moving assets to another financial institution prior to obtaining board approval, which is not in compliance with State Laws governing the transfer of assets.

Recommendation:
Management must ensure that documented Board approval is obtained before the transfer of any property or assets occur.

Response:
See management's response letter.

III. Summary of Prior Year Findings

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2012-01 – General Accounting

Condition:
It was noted during the prior year's audit engagement that HEAL did not have a complete general ledger system in place. As a result, the financial statements of HEAL did not assure that all transactions executed by the organization were properly accounted for and reconciled to the general ledger. This posed a problem with assuring that all certificates of deposit and accrued interest were accounted for as they matured. The organization's lack of a complete general ledger system was also apparent during the current engagement as instances were noted where transactions related to interest receivable and interest income were either improperly recorded or unrecorded in the accounting system.

Recommendation:
Management should utilize interest related information received from its financial or investment institution to make the proper adjusting entry and should not rely on its own formula to accrue for interest.

Current Status:
Unresolved, see finding 2013-01.

2012-02 – Improper Accounting Records

Condition:
Instances were noted where transactions were not posted to the general ledger at the time of occurrence. Instead, lump sum adjustments were made at year-end. Also, it was noted that a Certificate of Deposit which was originally at one financial institution was transferred to another but the transfer was not properly reflected in the accounting records.

Recommendation:
We recommend that the entity continues to educate and train its staff on properly using the accounting system to help ensure that the organization's financial data is accurately recorded, processed, and reported on a timely basis.

Current Status:
Unresolved, see finding 2013-02.

2012-03 – Lack of Oversight by the Board of Trustees

Condition:
Our audit disclosed that during the fiscal year ended June 30, 2012, the Board of Trustees only held one board meeting.

Recommendation:
The Board should establish a schedule for monthly meetings. This schedule should be provided to members at the start of the fiscal year to allow for proper time to plan attendance. New board members should be provided with information outlining their responsibilities as a board member. The Board should take necessary steps to have all vacant seats filled, in order that the Board may have sufficient members for a quorum.

Current Status:
Unresolved, see finding 2013-03.

2012-04 – Improper Transfer of Assets

Condition:
It was noted that during the audit period, funds held in certificates of deposit were transferred from one financial institution to another without the proper authoritative consent of the Board of Trustees. Board minutes and resolutions authorizing the Executive Director to access all accounts to act on behalf of HEAL was provided; however, the documentation provided does not grant the authority to the Executive Director to transfer or move assets in HEAL's control.

Recommendation:
Management must ensure that documented Board approval is obtained before the transfer of any property or assets occur.

Current Status:
Unresolved, see finding 2013-04.

2012-05 – Unauthorized Establishment of Account at a Financial Institution

Condition:
It was noted that a bank account was opened by the Executive Director in the amount of $54,797 without the authorization of the Board. The account was opened on January 31, 2012, and closed on July 19, 2012. In reviewing the account agreement, it was noted that the agreement required only the signature of the Executive Director to transact business on the account. There was no indication that the Executive Director obtained approval from the Board before the bank account was opened. A copy of the provided signature card listed only the Executive Director and only required one signature to conduct business (the Executive Director's signature). Documentation authorizing the Executive Director to access all accounts to act on behalf of HEAL was provided; however, the documentation implies access to accounts with financial institutions where the entity held existing funds. The resolution did not grant the authority to open new accounts. There was no mention in any provided Board records or minutes authorizing the creation of a new and separate checking account requiring only the signature of the Executive Director.

Recommendation:
We recommend that the entity enacts procedures to ensure documented Board approval is obtained before the establishment of any type of account with a financial institution.

Current Status:
Resolved. While no new accounts were established during the fiscal year ended June 30, 2013, management provided no written procedures regarding the future process to be used to establish accounts at financial institutions.

Bobby Jindal
GOVERNOR

Kathy H. Kliebert
SECRETARY

State of Louisiana

Department of Health and Hospitals
Health Education Authority of Louisiana

August 11, 2014

Mr. Daryl Purpera
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Purpera:

The Health Education Authority of Louisiana (HEAL) responds to the draft audit and independent auditor's report regarding HEAL's financial statements for the fiscal year ending June 30, 2013. HEAL acknowledges that the audit was prepared by an independent certified public accountant, Jonald J. Walker & Associates, III, CPA, LLC ("ICPA") on behalf of the Louisiana Legislative Auditor pursuant to a "Contract for Professional Services" executed on December 6, 2013, to satisfy the auditor's obligations under Louisiana Revised Statutes (LSA-R.S.) 24:513. To the extent that a "corrective action plan," as described in Section V, "Report Deliverables" described in the "Contract for Professional Services" is deemed in any way to be warranted or necessary as a result of the audit to which this response is directed, then HEAL submits this response to satisfy any such requirement and to serve as its "corrective action plan."

Prefatory Statement

HEAL is an independent governmental agency created by the Louisiana Legislature, as provided under LSA-R.S. 17:3051-3060. As a public agency and steward of public funds, HEAL was pleased to observe the ICPA's findings that the audit did not identify any deficiencies in HEAL's internal controls that in the opinion of the ICPA were to be considered "material weaknesses," and that the audit evidenced no instances of noncompliance material to, and no inaccuracies in, HEAL's financial statements.

However, HEAL disagrees with the ICPA's inclusion and discussion of findings from the audit for fiscal year 2011-2012, and the ICPA's mischaracterization that the alleged deficiencies identified in the prior year's audit findings remain unresolved. HEAL has addressed those alleged deficiencies in its response to the 2012 audit.

Unfortunately, both the 2012 and the 2013 draft audits conducted by Jonald Walker & Associates, III, CPA, LLC were presented to HEAL simultaneously at 8:38 p.m. on the evening of Friday, August 1, 2014, although the 2012 audit was due on April 30, 2014, and the 2013 audit was due on June 30, 2014. Because the overdue audits were presented simultaneously, the ICPA did not have the benefit of reviewing HEAL's response, which fully addressed its perceived deficiencies and misunderstanding of HEAL's recent history, operations, oversight and internal controls, and simply repeated its 2012 findings in the 2013 audit.

HEAL is disappointed that the ICPA omitted from the audit any mention of its failure to produce the audits within the schedule of deliverables as a reason why its recommendations were described as "unresolved." As a result of the delay in producing the audits as scheduled, and because the ICPA issued its 2012 and 2013 audit drafts simultaneously on August 1, 2014, the ICPA was unable to take into account HEAL's responses to its findings and concurrence with its recommendations, and simply restated the prior year's findings in its 2013 audit. HEAL views the ICPA's failure to disclose its nonperformance in completing the audits and its repeat findings are inappropriate and do not accurately reflect what actually transpired, and the audits should be revised to correct these issues before publication.

While HEAL appreciates the guidance and suggestions of the ICPA with respect to its internal controls and agrees with the ICPA's recommendations, the ICPA's findings appear to be the product of its misunderstanding of HEAL's operations. Further, HEAL takes the position that it is both inappropriate and unwarranted for the ICPA to characterize these perceived findings collectively as a "significant deficiency." There are no such deficiencies present in the internal controls of HEAL, as is explained further herein.

HEAL Response to Schedule of Findings and Questioned Costs

<u>Response to 2013-01 – General Accounting</u>

In this finding, the ICPA referred to the prior year's audit, which identified that HEAL did not have a general ledger system in place. The ICPA then stated "The organization's lack of a complete general ledger system was also apparent during the current engagement as *instances were noted* where transactions related to interest receivable and interest income were either improperly recorded or unrecorded in the accounting system" (*emphasis added*).

As was stated in its response to the 2012 audit, HEAL observes that the ICPA failed to provide specific examples of "instances" that "were noted," in the absence of which, HEAL is unable to respond directly to the ICPA's comment.

Similarly, the ICPA states that revenues and accounts receivable might "potentially be materially misstated," but the ICPA did not identify any actual misstatements in HEAL's financial statements.

As was further stated in its response to the 2012 audit, HEAL does, in fact, have a general ledger system in place, and HEAL utilizes Generally Accepted Accounting Principles (GAAP) in the preparation of its balance sheets, profit and loss statements, general ledger reports, and revenue statements. Additionally, HEAL clarifies that as a result of the 2011 audit, HEAL implemented a comprehensive accounting system to capture all certificates of deposition, as well as other transactions of the agency. HEAL utilizes the interest information provided from its financial institutions and appropriately accounts for all interest accrued from its financial holdings on an annual basis.

Response to 2013-02 – Improper Accounting Records

The ICPA states that "*instances were noted* where transactions were not posted to the general ledger at the time of occurrence. Instead, lump sum adjustments were made at year-end" (*emphasis added*). Additionally, the ICPA "noted that a Certificate of Deposit which was originally at one financial institution was transferred to another but the transfer was not properly reflected in the accounting records."

Because the ICPA did not list of identify any specific transactions, HEAL is unable to respond, other than that HEAL disputes the contention any lump sum adjustments were made in 2013. HEAL's operating expenses are captured through the ISIS Accounting system utilized by the Department of Health and Hospitals and are reflected contemporaneously. HEAL's investment accounts are monitored internally through the comprehensive accounting system recommended in the 2011 audit and implemented by HEAL. That system includes an accounting software program to prepare general ledger, trial balance, & complete financial statements.
As stated, HEAL is not aware of any lump sum adjustments in fiscal year 2012-2013. Additionally, should the ICPA provide specific information about the certificate of deposit transfer, and further identify where the transfer was not properly reflected in the accounting records, HEAL will attempt to respond.

Response to 2013-03 – Lack of Oversight by the Board of Trustees

The ICPA noted that only one meeting of the HEAL Board of Trustees took place in fiscal year 2013, and was unable to determine the cause for the lack of additional meetings, and recommended that the board schedule monthly meetings scheduled at the beginning of the fiscal year, to further facilitate attendance. The ICPA further suggested that the board "take necessary steps to have all vacant seats filled, in order that the Board may have sufficient members for a quorum."

As was stated in HEAL's response to the 2012 audit, the HEAL Board of Trustees comprises volunteer members who are appointed by the Governor and Mayor of the City of New Orleans, pursuant to La. R.S. 17:3053. The members of the HEAL Board of Trustees do not receive any compensation for their service. HEAL notes that its board and its executive director undertook the appropriate steps to address the prior vacancies and to facilitate appointments, and there are presently only two vacancies on the board.

Additionally, HEAL concurs with the ICPA's recommendation that the board implement a schedule of regular meetings, and advises that it had already taken steps to do so on its own initiative previously. Specifically, at its March 11, 2014 meeting, the HEAL Board of Trustees adopted a resolution establishing the HEAL Rules, as provided for in La. R.S. 17:3054, which sets forth a schedule of regular meetings and the process for calling special meetings, as well as an outline for conducting its business and duties. As stated in the HEAL Rules, the Board currently meets on a quarterly basis.

Response to 2013-04 – Improper Transfer of Assets

This ICPA audit finding notes that funds held in certificates of deposit were transferred from one financial institution to another without specific action by the Board of Trustees approving each individual transfer. The findings suggest that the transfer of funds between financial institutions by HEAL's executive director without specific direction by the Board of Trustees was unauthorized.
HEAL manages its investment accounts as provide for and in full compliance with La. R.S. 49:327. Under its current policy, the signature of at least one member of the Executive Committee of the Board of Trustees is required to establish any new HEAL account. Additionally, since 2011, all investment accounts held in the name of HEAL, as well as its Reserve Fund Checking Account, have required two or more signatures to approve any transactions, as is further evidenced by the HEAL accounts held at its current financial institutions.

Response to Independent Auditor's Comments to Management

Response to "Corrected and Uncorrected Misstatements"

In the "Comments to Management," the ICPA indicates that "Management has corrected all such misstatements." HEAL is unaware of any misstatements that were either trivial or material, or otherwise. HEAL states unequivocally that all information presented and reflected in its financial documents are true and accurate to the best of its information, knowledge, and belief.

Response to "2013-M1 Board Meetings and Minutes"

The ICPA states that minutes of the HEAL Board of Trustees meetings should be retained as evidence of the meetings and related actions. The ICPA further states that HEAL's bylaws do not specify a frequency for meetings by the Board of Trustees. HEAL responds that it records and keeps copies of all minutes of its meetings, which are public documents under the Louisiana Public Records law. HEAL further addresses the ICPA's misunderstanding concerning the HEAL Rules, which were adopted by the HEAL Board of Trustees in March 2014, and which provide for the schedule of meetings and other duties and responsibilities of the board and its committees. Although they were not requested by the ICPA in the performance of the 2013 audit, HEAL's Rules are available for review and inspection at any time, should the ICPA wish to review them.

Response to "2013-M2 Prudent and Efficient Use of Funds"

The ICPA states that it was unable to determine and questions whether the HEAL Board of Trustees conducted a cost-benefit analysis concerning certain pending litigation involving HEAL. It is both inappropriate and well beyond the scope of the ICPA's auditing function to discuss, question, or recommend in any way the ongoing litigation or the legal position taken by HEAL in this, or any other matter of litigation in which HEAL might be involved.

Conclusion

In light of the foregoing, the Schedule of Findings contained in the HEAL Audit for the Fiscal Year Ended June 30, 2013 do not rise to the level of a "significant deficiency" and should not have been characterized as such by the ICPA. However, HEAL concurs with the ICPA's recommendations concerning adequate oversight of HEAL's resources, even if it disagrees with the underlying conditions noted by the ICPA in providing its recommendations.

HEAL restates its concern and disappointment that the 2013 draft audit presented to HEAL did not disclose in any way the fact that the ICPA who prepared the audit was also responsible for the preparation of the 2012 audit, and presented both simultaneously and overdue. The effect on HEAL was that it was unable to provide comments to the 2012 audit for consideration in advance of the ICPA's preparation of the 2013 audit, which expressed similar findings that were addressed in HEAL's prior year audit response.

As HEAL continues to renew and reestablish itself in the public finance sector, the HEAL Board of Trustees and its executive director are committed to fulfilling HEAL's legal obligations and carryout out its legislative purposes in full accordance with all applicable laws, with the understanding that the resources held under its stewardship belong to the public.

HEAL submits this response to the Audit for the Fiscal Year Ended June 30, 2013, and requests that its response be included with the final audit submitted to the Louisiana Legislative Auditor and made available as a public record.

Sincerely,

Jacob C. Johnson, Executive Director
Health Education Authority of Louisiana

J. WALKER & COMPANY APC
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Trustees
Health Education Authority of Louisiana
New Orleans, Louisiana

In planning and performing our audit of the financial statements of the Health Education Authority of Louisiana ("HEAL") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered HEAL's internal control over financial reporting (internal control) 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 HEAL's internal control. Accordingly, we do not express an opinion on the effectiveness of HEAL'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated July 28, 2014 on the financial statements of the Health Education Authority of Louisiana. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our contract signed March 11, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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As part of the audit we considered the internal control of HEAL. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by HEAL are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2013. We noted no transactions entered into by HEAL during the year for which there was a lack of authoritative guidance or consensus.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We take this opportunity to recognize the excellent assistance rendered to us by management and staff during the performance of the audit and completion of our reports thereon.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

2013-M1 Board Meetings and Minutes

We noted during our audit, that the Board of Trustees is required to meet on a regular basis. It does not appear that the Board of Trustees has frequent meetings to discuss the operations and affairs of HEAL. Board meetings can be crucial in documenting compliance with State regulations and other regulatory issues. Discussion minutes of the meetings should be taken to clearly document all decisions made and approved by the Board. The minutes should be retained as evidence of the meeting and related actions.

While HEAL's bylaws do not specify a frequency for meetings by the Board of Trustee's, during the State fiscal year under audit, minutes were only provided for one Board meeting. We recommend that the Board establish a frequency for meetings with a pre-set date and time, and convenes on a more regular basis to discuss the business affairs of HEAL. We also recommend that the Board receives monthly financial statements showing HEAL's funds so they can be better informed, and to monitor the operations of HEAL in order to make more informed decisions. Without complete financial information on all funds on a timely basis, including budget-to-actual comparisons, the Board cannot effectively exercise its fiduciary responsibilities of managing the organization's fiscal affairs.

2013-M2 Prudent and Efficient Use of Funds

We noted during our audit that HEAL filed a Petition for Declaratory Judgment and Damages against APCOA LaSalle Parking Company, LLC (ALPC) purportedly seeking relief for a variety of alleged breaches of the operating lease agreement. After performing inquiries of management, it was indeterminable as to whether the $32,928.15 cost of legal fees associated with filing the petition versus the possible benefit of the return from the suit would be beneficial to the State. It is also indeterminable as to whether there was any merit to the allegations waged against ALPC, or whether HEAL performed a good faith investigation to determine the cost benefit before filing the suit.

We recommend that the management of HEAL perform an analysis detailing the estimated potential loss in revenues, as well as, consider alternative methods available to a State facility before seeking outside counsel.

Status of Prior Year Comments

No management letter was issued with the prior audit report.

This report is intended solely for the use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC
Lake Charles, Louisiana
July 28, 2014