

**North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana**

**Annual Financial Report
As of and for the Year Ended September 30, 2013**

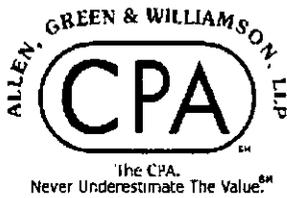
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAY 07 2014**

**North Louisiana Area Health
Education Center Foundation**

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ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive

Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA
Aimee Buchanan, CPA

Matt Carmichael, CPA
Jaime Esswein, CPA, CFE
Diane Ferschoff, CPA
Jaunicia Mercer, CPA, CFE
Roomi Shakir, CPA
Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Independent Auditor's Report

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of North Louisiana Area Health Education Center Foundation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 Health Education Center'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 Health Education Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of North Louisiana Area Health Education Center as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the North Louisiana Area Health Education Center will continue as a going concern. As discussed in Note 21 to the financial statements, the Health Education Center has suffered recurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 21. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the Health Education Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Education Center's internal control over financial reporting and compliance.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 28, 2014

NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION

STATEMENT OF FINANCIAL POSITION
September 30, 2013

	Statement A
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,354
Accounts receivable	216,806
Prepaid expenses	<u>6,582</u>
Total current assets	227,742
NON-CURRENT ASSETS	
Restricted Cash - Gladney Endowment	115,684
Security deposit - clinic	6,352
Capital assets, net	<u>164,696</u>
Total noncurrent assets	<u>286,732</u>
TOTAL ASSETS	<u>\$ 514,474</u>

(Continued)

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
September 30, 2013**

Statement A

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts, salaries, and other payables	\$ 319,685
Deferred revenue	176,919
Notes payable	210,340
Compensated absences	34,235
Capital lease payable	7,372
Total current liabilities	748,551

NON-CURRENT LIABILITIES

Compensated absences	11,412
Capital lease payable	19,661
Total non-current liabilities	31,073

TOTAL LIABILITIES

779,624

NET ASSETS

Unrestricted	(571,758)
Temporarily restricted - shots for tots	55,422
Temporarily restricted - clinic	135,502
Temporarily restricted - endowment	15,684
Permanently restricted - endowment	100,000
Total net assets	(265,150)

TOTAL LIABILITIES AND NET ASSETS

\$ 514,474

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013**

Statement B

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT:				
Grant revenue:				
Federal	\$ 1,217,811	\$ -	\$ -	\$ 1,217,811
State	387,196	-	-	387,196
Contributions				
Clinic	-	92,103	-	92,103
Program service fees	8,738	35,245	-	43,983
Interest and dividends	6	25	-	31
Other revenue	58,524	-	-	58,524
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>162,530</u>	<u>(162,530)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,834,805</u>	<u>(35,157)</u>	<u>-</u>	<u>1,799,648</u>
EXPENSES AND LOSSES:				
Direct Program Expenses				
AHEC of a summer	54,037	-	-	54,037
PCRPP	21,664	-	-	21,664
Cancer control	31,403	-	-	31,403
Healthy tomorrow	21	-	-	21
Nurse family partnership	111,871	-	-	111,871
Vaccines for children	305,028	-	-	305,028
Tobacco control	6,000	-	-	6,000
WIC	38,717	-	-	38,717
Breastfeeding	100,571	-	-	100,571
Healthy start	471,912	-	-	471,912
Shots for tots conference	52,771	-	-	52,771
Other programs	34,597	-	-	34,597
Supporting Services Expense				
Salaries and benefits	391,933	-	-	391,933
Travel	6,213	-	-	6,213
Telephone and internet	18,123	-	-	18,123
Supplies and postage	7,417	-	-	7,417
Legal and accounting	76,400	-	-	76,400
Occupancy	155,623	-	-	155,623
Other operating expense	114,337	-	-	114,337
Depreciation	<u>106,260</u>	<u>-</u>	<u>-</u>	<u>106,260</u>
Total expenses and losses	<u>2,104,898</u>	<u>-</u>	<u>-</u>	<u>2,104,898</u>
Change in net assets	<u>\$ (270,093)</u>	<u>\$ (35,157)</u>	<u>\$ -</u>	<u>\$ (305,250)</u>

(Continued)

NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Statement B

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
NET ASSETS - BEGINNING	\$ (301,665)	\$ 241,765	\$ 100,000	\$ 40,100
NET ASSETS - END OF YEAR	<u>\$ (571,758)</u>	<u>\$ 206,608</u>	<u>\$ 100,000</u>	<u>\$ (265,150)</u>

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013**

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (305,250)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	106,260
(Increase) decrease in:	
Accounts receivable	96,363
Unconditional promise to give	123,673
Prepaid expenses	2,079
(Decrease) increase in:	
Accounts, salaries and other payables	(7,456)
Compensated absences	(9,849)
Deferred revenue	(38,859)
Notes payable	111,818
Leases payable	(7,090)
	<hr/>
Net cash provided (used) by operating activities	<hr/> 71,689 <hr/>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of equipment	(2,030)
Loss on equipment disposal	976
	<hr/>
Net cash provided (used) by investing activities	<hr/> (1,054) <hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	70,635
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<hr/> 49,403 <hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<hr/> <hr/> 120,038 <hr/> <hr/>
Reconciliation to financial statements	
Cash and cash equivalents	4,354
Restricted cash - Gladney endowment	115,684
	<hr/>
Total cash and cash equivalents at end of year	<hr/> <hr/> 120,038 <hr/> <hr/>
Supplemental Data:	
Interest and penalties paid	\$ <hr/> <hr/> 37,457 <hr/> <hr/>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

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**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Purpose The North Louisiana Area Health Education Center Foundation (the North La. AHEC) was organized without capital stock under Louisiana law on March 7, 1989, as a non-profit corporation to bring healthcare education and resources to rural and underserved communities in North Louisiana. Membership in the North La. AHEC is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this North La. AHEC. The North La. AHEC's main source of support is federal and state grants passed through various state agencies.

Income Taxes The North La. AHEC is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

Form 990, *Return of Organization Exempt from Income Tax* for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service, generally three years after they are on file. North La. AHEC filed an extension of time to file the 2012 Form 990, which is for fiscal year ending September 30, 2013; therefore, the return is required to be submitted by May 15, 2014.

Cash and Cash Equivalents For purposes of the statement of cash flows, the North La. AHEC considers all highly liquid instruments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. If the original maturities of investments exceed 90 days they are classified as investments; however, if original maturities are 90 days or less, they are classified as cash equivalents.

Promise to Give Contributions are recognized when the donor makes a promise to give to North La. AHEC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Accounts Receivable North La. AHEC expects to receive the full amount of accounts receivable. If amounts become uncollectable, North La. AHEC charges to operations as bad debt whenever that determination is made. North La. AHEC charged \$5,988 to bad debt expenses for fiscal year ended September 30, 2013.

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.

Capital Assets and Donated Use of Facilities Pursuant to their contractual agreement, Louisiana State University Medical Center (LSUMC) budgets for expenditures for capital assets to be acquired for the North La. AHEC. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and expenditures in the activity statement of the North La. AHEC and are not capitalized for prior years. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and the North La. AHEC as described in Note 1 under the Revenue and Expense caption. This agreement does not contain a provision for reversionary ownership and, accordingly, as of the beginning of the fiscal year ending September 30, 1995 the North La. AHEC capitalizes assets purchased and records these purchases at cost for all assets of \$500 or more. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Depreciation expense for the year was \$106,260.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building in Monroe, Louisiana. The use of land is not recorded in the financial statements. The central office was relocated in September, 2006 to Bossier City to a rent-free building provided by an area hospital.

Revenues and Expenses The North La. AHEC is funded by contractual agreements with various state and federal agencies. These agreements represent exchange transactions for goods and services under the guidance provided by Financial Accounting Standards Board Accounting Standards Codification 958 "Non-profit Entities". Support for the North La. AHEC is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution, a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center, Shreveport and the North La. AHEC. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.

Expenses are to be made in accordance with a budget which has been adopted and made a part of the contract agreement with LSUMC. The North La. AHEC is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to the North La. AHEC by the tenth working day of each month until June 2013 and by the tenth working day of each quarter beginning July 2013. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North La. AHEC's ability to serve the community is supported by other federal and state grants. These grants operate on a cost reimbursement basis.

Contributions Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The North La. AHEC primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Functional Allocation of Expenses The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the North La. AHEC.

NOTE 2 - RESTRICTIONS ON NET ASSETS

Shots for Tots

Temporary restrictions on net assets at the end of 2013 are related to funds received from various sponsors and donors for the Shots for Tots conference each year. These funds are restricted for the payment of expenses related to the conference. Those restrictions are considered to expire when payments are made. The amount reported is an accumulation of multiple years where the conference receipts were more than expenses paid. Temporarily restricted net assets of \$55,422 as of fiscal year ended September 30, 2013 are available for the payment of future Shots for Tots conference expenses.

Clinic

In fiscal year ended September 30, 2011, monies were received from a private donor to be used for the purpose of operating an outpatient medical clinic staffed by LSUHSC-S Department of Family Medicine and Comprehensive Care personnel; this clinic is known as the Provenance Medical Clinic. The funds received are reported as temporarily restricted, which were restricted for the payment of start-up costs and for lease payments paid by North La. AHEC as well as for operating expenses for the clinic paid by LSUHSC-S. Those restrictions are considered to expire when payments are made. Interest earned on the temporary investments of such support is also reported as temporarily restricted. Temporarily restricted net assets of \$135,502 as of fiscal year ended September 30, 2013 are available for the payment of future clinic expenses.

North La. AHEC and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College entered into a cooperative endeavor agreement beginning September 1, 2011 and terminating August 31, 2014 regarding the staffing of qualified physicians and support personnel, insurance, leasing and operating expenses relating to the Provenance Medical Clinic.

Gladney Endowment Fund

Permanently restricted net assets at September 30, 2013 consist of an endowment fund transferred to North La. AHEC in 2000 to be used to support a physician with an interest in rural medicine. The recipient must be a graduate of a Louisiana medical school, have participated in rural AHEC training programs and have already matched with a Louisiana Family Practice Residency Program. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by North La. AHEC indefinitely until \$100,000 is reached and the income from the fund is to be expended for one-time scholarships to physicians. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absences of donor-imposed restrictions. The funds are to be held in a separate cash account.

North La. AHEC has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, North La. AHEC classifies as permanently restricted net assets (1) the original value of gifts noted to the permanent endowment until the endowment reaches \$100,000, (2) the original value of subsequent gifts to the permanent endowment until the

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

endowment reaches \$100,000, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by North La. AHEC in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, North La. AHEC considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) North La. AHEC's investment policies.

Endowment assets are invested in money market funds. As of September 30, 2013, the original endowment principal had obtained the funding raising goal of \$100,000. North La. AHEC has a policy of appropriating for distribution on an annual basis, \$2,500 in a one-time scholarship if an applicant is determined to be deemed merited and meets the selection criteria, endowment fund's investment income that is not permanently restricted.

The composition of the endowment net assets for this fund and the changes in endowment net assets as of September 30, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2012	\$ 15,671	\$ 100,000	\$ 115,671
Contributions	-	-	-
Interest income	13	-	13
Net appreciation	-	-	-
Amounts appropriated for expenditure	-	-	-
Endowment net assets, September 30, 2013	<u>\$ 15,684</u>	<u>\$ 100,000</u>	<u>\$ 115,684</u>

NOTE 3 - DEPOSITS AND INVESTMENTS At September 30, 2013, the North La. AHEC had cash and cash equivalents (book balances) totaling \$120,038 in demand deposits. These deposits are as follows: Cash and cash equivalents - \$4,354 and Restricted cash and cash equivalents - Gladney endowment \$115,684. Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair 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 year end, the North La. AHEC's carrying amount of deposits was \$120,038 and the bank balance was \$190,216. Of the bank balance, \$74,055 was covered by federal deposit insurance and \$116,161 was insured through Securities Investor Protection Corporation (SIPC).

Interest Rate Risk: The North La. AHEC's policy does not address interest rate risk.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the North La. AHEC’s deposits may not be returned to it. As of September 30, 2013, the North La. AHEC had no custodial risk because the bank balances were fully insured by FDIC and SIPC.

The following schedule summarizes interest income and their classification in the statement of activities for the year ended September 30, 2013:

	Unrestricted	Temporarily Restricted	Total
Interest Income	\$ 6	\$ 25	\$ 31

NOTE 4 - ACCOUNTS RECEIVABLE Accounts receivable of \$216,806 at September 30, 2013, which consist as follows:

	Amount
Local funds	\$ 26,505
State programs	2,165
Federal grants	188,136
Total	\$ 216,806

The North La. AHEC expects to collect these balances in full; therefore no allowance for doubtful accounts has been established.

NOTE 5 - UNCONDITIONAL PROMISE TO GIVE During the fiscal year ended September 30, 2011, North La. AHEC received an unconditional promise to give from a private donor in the amount of \$750,000, which was to be paid over three years. The contributions are to be used for the purpose of operating an outpatient medical clinic staffed by LSUHSC-S Department of Family Medicine and Comprehensive Care personnel; this clinic is known as the Provenance Medical Clinic. According to the promise, \$559,692 was to cover start-up costs and lease payments paid by North La. AHEC and \$190,308 was to cover operating expenses paid by LSUHSC-S over the three years. Additionally, North La. AHEC has an unconditional promise to give from the private donor for invoices submitted by LSUHSC-S for operating expenses associated with the clinic to North La. AHEC. The invoices submitted to North La. AHEC totaled \$22,852, in which a payable was recorded.

Prior to fiscal year ended September 30, 2013, the donor paid North La. AHEC the remaining year’s unconditional promise to give initial receivable balance. Any revenue received in excess of the initial receivable balance for ongoing operating expenses was recognized as Clinic Contributions in the Statement of Activities as temporarily restricted.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

NOTE 6 - CAPITAL ASSETS Capital asset balances and activity for the year ended September 30, 2013, are as follows:

	Balance <u>Beginning</u>	Additions	Deletions	Balance <u>Ending</u>
Exhaustible capital assets				
Leasehold improvements	\$ 209,573	\$ -	\$ -	\$ 209,573
Buildings	65,223	-	-	65,223
Furniture and equipment	333,917	2,030	5,677	330,270
Transportation equipment	18,245	-	-	18,245
Total	<u>626,958</u>	<u>2,030</u>	<u>5,677</u>	<u>623,311</u>
Less accumulated depreciation				
Leasehold improvements	81,501	69,857	-	151,358
Buildings	53,580	3,038	-	56,618
Furniture and equipment	203,730	33,365	4,701	232,394
Transportation and equipment	18,245	-	-	18,245
Total	<u>357,056</u>	<u>106,260</u>	<u>4,701</u>	<u>458,615</u>
Capital assets, net	<u>\$ 269,902</u>	<u>\$ (104,230)</u>	<u>\$ 976</u>	<u>\$ 164,696</u>

NOTE 7 - ACCOUNTS, SALARIES AND OTHER PAYABLES Accounts, salaries and other payables at September 30, 2013, of \$319,685 consisted as follows:

	<u>Amount</u>
Vendors	\$ 95,409
Salaries	16,152
Payroll taxes	<u>208,124</u>
Total	<u>\$ 319,685</u>

NOTE 8 - NOTES PAYABLE - LINE OF CREDIT In November 2011, North La. AHEC signed a letter of credit agreement with Capital One, which is unsecured. The principal amount is for \$100,000 and the interest rate is a variable rate of 1% plus the index rate, which was 4.25% at September 30, 2013. The drawing down on the line of credit was throughout the fiscal year 2013. The balance owed on the loan as of September 30, 2013 was \$100,000. The line of credit does not expire until demand is made or until loan is terminated for any reason.

In May 2013, North La. AHEC signed a letter of credit agreement with Capital One, which is secured by the Gladney Endowment. The principal is for \$110,340 and the interest rate is 3.25%. The drawing on the line of credit was in May 2013. The balance owed on the loan as of September 30, 2013 was \$110,340. The line of credit agreement matured at September 9, 2013, yet was extended until October 29, 2013. See Note 20 for additional information.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

NOTE 9 - LONG TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended September 30, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 55,496	\$ 48,038	\$ 57,887	\$ 45,647	\$ 34,235
Capital leases	34,123	-	7,090	27,033	7,372
Total	<u>\$ 89,619</u>	<u>\$ 48,038</u>	<u>\$ 64,977</u>	<u>\$ 72,680</u>	<u>\$ 41,607</u>

NOTE 10 - COMPENSATED ABSENCES All employees earn vacation time based on their years of service. As of September 30, 2013 accrued vacations was \$45,647, which included \$3,244 of employee related benefits.

NOTE 11 - DEFERRED COMPENSATION PLAN The North La. AHEC sponsors all of its eligible full-time employees in a noncontributory tax-deferred compensation plan under the rules in IRC Section 403(b). The amount of contributions by the North La. AHEC to the employees' individual accounts will be determined annually based on budget allocations and applicable law limitations. Contributions by the North La. AHEC totaled \$65,410 for 2013.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation and claims The North La. AHEC is not presently involved in litigation. However, the North La. AHEC has received notice of intent to levy from the Internal Revenue Service regarding outstanding 941 taxes owed. North La. AHEC has recorded a payable of \$199,233 for taxes, penalties, and interest owed as of fiscal year ended September 30, 2013.

Grants Disallowances North La. AHEC participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursing by the grantor agency for expenditures disallowed under terms of the grants. North La. AHEC's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 13 - RISK MANAGEMENT North La. AHEC is at risk for property damage, liability and theft which are covered by insurance policies.

NOTE 14 - INTEREST AND PENALTIES EXPENSE For fiscal year ended September 30, 2013, North La. AHEC paid \$37,457 in interest and penalties expense, which is reported within other operating expense in the Statement of Activities. The interest and penalties expense is for the following:

Notes payable	\$ 5,263
Internal Revenue Service	28,588
La. Dept. of Revenue	54
American Express	3,142
Capital One	410
	<u>\$ 37,457</u>

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

NOTE 15 - DEFERRED REVENUE The beginning balance of deferred revenue carried over from the prior year was \$215,778. In some grants, the revenues exceeded expenditures for the current year; whereas in others, the expenditures exceeded revenues. At September 30, 2013 there was \$176,919 of deferred revenue recorded on the financial statements and are for the following programs:

	<u>Amount</u>
Healthy Start Grant	\$ 16,192
Healthy Tomorrows Grant	20,174
Immunization Grant	29,144
LSUMC - Cancer Control	9,832
LACHIP	59,119
WIC Breastfeeding Grant	13,082
WIC Transportation Grant	457
Nurse Family Partnership Grant	6,025
OPH Maternal and Child	<u>22,894</u>
Total	<u>\$ 176,919</u>

NOTE 16 - ECONOMIC DEPENDENCY Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Department of Health and Human Services, in which part of the funding is passed through the State of Louisiana and Louisiana State University Medical Center, provided \$1,441,438 or 80% of the North La. AHEC's total revenues, which \$378,857 is state funding and \$1,062,581 is federal funding.

NOTE 17 - BUILDING RENTAL North La. AHEC moved into a building in Bossier City, Louisiana in October 2006. The building is owned by Willis Knighton Medical Center and is furnished rent free to North La. AHEC. The building is 3,822 square feet with a rental value of \$1.00 per square foot per month at current market price as determined by a local realtor. For the fiscal year 2013, donation income and rent expense of \$45,864 was recorded on North La. AHEC's financials.

NOTE 18 - OPERATING LEASES North La. AHEC signed a lease on February 17, 2011 commencing on July 1, 2011 for building space for the purpose of operating an outpatient medical clinic staffed by LSUHSC-S Department of Family Medicine and Comprehensive Care personnel. The lease is a thirty-six month lease and the lease payments cover the fixed minimum rent, common area maintenance costs, real estate taxes and insurance premiums. The total costs for such lease was \$68,021 for the year ended September 30, 2013. The future minimum lease payments for the building space are as follows:

<u>Year Ending Sept.30</u>	<u>Amount</u>
2014	\$ 57,173

NOTE 19 - CAPITAL LEASES North La. AHEC has entered into a lease agreement as lessee for financing the acquisition of a copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The asset acquired in fiscal year 2009 through a five year capital lease with an interest rate of 4.0% was a copier with a cost of \$6,615, which is classified as furniture and equipment. The assets acquired in fiscal year 2012 through five year capital leases with an average interest rate of 6.5% were for copiers with total costs of \$30,714, which are also classified as furniture and equipment. Depreciation is calculated using the straight-line method and is using a five

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

year useful life. Current year depreciation for the three copiers was \$7,466, and accumulated depreciation at September 30, 2013 was \$14,878.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013 were as follows:

2014	\$ 8,454
2015	7,358
2016	7,358
2017	<u>5,522</u>
Total minimum lease payments	28,692
Less: amount representing interest	<u>1,659</u>
Present value of minimum lease payments	<u><u>\$ 27,033</u></u>

NOTE 20 - SUBSEQUENT EVENTS Management has evaluated subsequent events through March 28, 2014, which is the date the financial statements were available to be issued, and noted the following:

- On October 29, 2013, the Line of Credit with Capital One that had an outstanding balance of \$110,340 was converted to a traditional loan. The terms of the new loan are a 6.75% interest rate with a 24 month term. Although the line of credit was converted to the loan, the Gladney Endowment still remains as the collateral pledged on this loan.
- In March 2014, North La. AHEC agreed to pay \$8,000 per month until the full balance of the temporarily restricted net assets for Shots for Tots is paid back to the State. These funds are being requested to be returned to the State due to North La. AHEC not receiving renewal for the Shots for Tots Conference as well as not receiving renewal for the Immunization Grants in the 2014 fiscal year.

No additional material subsequent events have occurred since September 30, 2013 that required recognition or disclosure in the financial statements.

NOTE 21 - GOING CONCERN Over the last two fiscal years, North La. AHEC has suffered reoccurring losses from operations in excess of \$250,000, which caused a deficiency in unrestricted net assets. The unrestricted net assets at the end of the fiscal year is a deficit of \$571,758. During the fiscal year, North La. AHEC obtained an additional line of credit with Capital One of \$110,000 to assist the agency with cash flow shortfalls. Additionally, due to cash flow shortfalls, North La. AHEC has paid minimal amounts to the IRS for payroll taxes during the fiscal year, which resulted in the balance owed at September 30, 2013 of \$199,233. The combination of these events raises substantial doubt about North La. AHEC's ability to continue as a going concern.

Management's plan to address the going concern is as follows:

The North La. AHEC Board of Directors and staff have determined the need to take measures to overcome the current and future cash flow issues by examining all expenditures and all organizational activities.

The agency staff will continue to review all expenditures and practices to determine opportunities to reduce costs.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2013**

The agency staff will review and investigate, with partners and stakeholders, opportunities to reduce current expenditures and purchases through in-kind contributions and bartering arrangements.

The staff will also collaborate with the Board of Directors to identify and audit existing programs and services to determine if they need to be restructured, eliminated, or expanded.

The Board of Directors and staff will aggressively seek opportunities to collaborate with potential donors to increase income associated with specific programming and services. Opportunities for support and donations are listed on the webpage and made available to North La. AHEC's constituency, stakeholders, partners and participants. North La. AHEC has developed and implemented web-based and user-friendly opportunities to donate via PayPal, credit card and other means as soon as possible.

Additionally, the leadership will continue to identify contracts and grant opportunities for the organization to expand funding and programming as well as negotiate a target of 10% indirect costs on these contracts to increase the non-restricted funding to the agency. Staff will also seek to re-negotiate the indirect rates on any grants or contracts that the indirect rate is currently under 10%.

Staff leadership has developed an evolving sustainability plan and will work to implement and expand the plan into a long range strategy to be addressed by the staff weekly and reviewed by the Board quarterly.

The Board will appoint a fundraising committee to work monthly with the staff in these ongoing efforts and to identify possible partners and opportunities for funding.

The Board and staff, in collaboration with fiscal and legal counsel, will work with creditors to develop a plan to re-structure debt and continue negotiations with the IRS in an effort to abate certain penalties and establish and payment plan to address unpaid taxes.

**North Louisiana Area Health
Education Center Foundation**

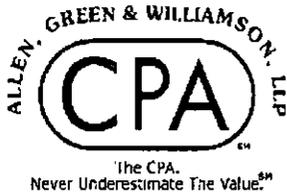
SUPPLEMENTARY INFORMATION

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenses
For the Year Ended September 30, 2013**

Schedule 1

	Program Services Expenses	Supporting Services Expenses	Total
Salaries and Related Expense			
Salaries	\$ 772,200	\$ 295,525	\$ 1,067,725
Payroll taxes	47,793	22,608	70,401
Employee benefits	124,531	73,800	198,331
Miscellaneous personnel expense	-	-	-
Total salaries and related expenses	<u>944,524</u>	<u>391,933</u>	<u>1,336,457</u>
Other expenses			
Accounting and Audit	-	76,400	76,400
Advertising and Marketing	-	-	-
Bad debt expense	-	5,988	5,988
Communications	-	18,123	18,123
Conferences	52,771	-	52,771
Depreciation Expense	-	106,260	106,260
Donations	-	-	-
Fees	-	6,313	6,313
Instructor contract cost	42,994	-	42,994
Insurance	-	8,715	8,715
Interest and penalties	-	37,457	37,457
Lease Expense	-	-	-
Licenses and Memberships	-	2,389	2,389
Maintenance	-	4,888	4,888
Miscellaneous Expense	-	3,201	3,201
Miscellaneous Services	52,030	45,083	97,113
Occupancy Expense (rent)	-	113,885	113,885
Occupancy expense (other)	-	41,738	41,738
Postage	1,118	935	2,053
Printing	-	2,321	2,321
Supplies	59,473	4,464	63,937
Travel	75,682	6,213	81,895
Total other expenses	<u>284,068</u>	<u>484,373</u>	<u>768,441</u>
Total	<u>\$ 1,228,592</u>	<u>\$ 876,306</u>	<u>\$ 2,104,898</u>



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA
Aimee Buchanan, CPA

Matt Carmichael, CPA
Diane Ferschoff, CPA
Jaime Esswein, CPA, CFE
Jaunicia Mercer, CPA, CFE
Roomi Shakir, CPA
Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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*

Independent Auditor's Report

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Louisiana Area Health Education Center Foundation, (a nonprofit organization), which comprise the statement of the financial position as of September 30, 2013, and the related statement of activities, and cash flows for the year ended, and the related notes to the financial statements, which collectively comprise the Health Education Center's basic financial statements, and have issued our report thereon dated March 28, 2014. We included an emphasis-of-matter paragraph in that report regarding going concern. The Health Education Center has suffered reoccurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern.

Internal Control Over Financial Reporting

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

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

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 Health Education Center'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 2013-001, 2013-002, 2013-003 and 2013-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Education Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Health Education Center's Response to Findings

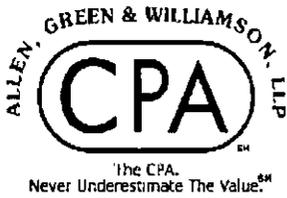
The Health Education Center's response to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Audit Findings and Questioned Costs. The Health Education Center's response was not subjected to the auditing procedures applied in the audit of the 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 result of that testing, and not to provide an opinion on the effectiveness of the Health Education Center'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 Health Education Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.


ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 28, 2014



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

Tim Green, CPA
Margie Williamson, CPA
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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

Report on Compliance for Each Major Federal Program

We have audited North Louisiana Area Health Education Center Foundation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Health Education Center's major federal programs for the year ended September 30, 2013. The Health Education Center's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Health Education Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Education Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Immunization Grants and Healthy Start

As described in the accompanying Schedule of Findings and Questioned Costs, the Health Education Center did not comply with requirements regarding CFDA 93.268 Immunization Grants as described in finding number 2013-005 for cash management. Additionally, as described in the accompanying Schedule of Findings and Questioned Costs, the Health Education Center did not comply with requirements regarding CFDA 93.926 Healthy Start as described in finding number 2013-005 and 2013-006 for cash management and allowable costs. Compliance with such requirements is necessary, in our opinion, for the Health Education Center to comply with the requirements applicable to that program.

Qualified Opinion on Immunization Grants and on Healthy Start

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Health Education Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Immunization Grants and on Healthy Start for the year ended September 30, 2013.

Other Matters

The Health Education Center's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Audit Findings and Questioned Costs. The Health Education Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-005 and 2013-006 to be material weaknesses.

The Health Education Center's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Audit Findings and Questioned Costs. The Health Education Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 28, 2014

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
Department of Health and Human Services			
Direct Programs:			
Healthy Start	93.926	5H49MC00084-12-00, 5H49MC00084-11-00, 6H49MC00084-12-00, 6H49MC00084-11-01	\$ 471,932
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Nurse Family Partnership	93.505	CFMS# 700910, 711289	123,652
Immunization Grants	93.268	CFMS# 693926, 693928, 693930, 707940, 707942, 707945	339,416
Passed Through Southwest Louisiana Area Health Education Center			
Navigators for a Healthy Louisiana	93.750	N/A	1,586
Passed Through Louisiana State University and Agricultural and Mechanical College			
Health Resources and Services Administration	93.107	CFMS#502616	94,592
Centers for Disease Control and Prevention	93.283	1U58DP003915-01	31,403
Total Department of Health and Human Services			1,062,581
Department of Agriculture			
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Women, Infants and Children (WIC) Cluster:			
Women, Infants and Children (WIC) Transportation	10.557	CFMS# 695116	42,589
Women, Infants and Children (WIC) Breastfeeding	10.557	CFMS# 693949	112,641
Total for Women, Infants and Children (WIC) Cluster:			155,230
Total Federal Awards			\$ 1,217,811

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013**

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Louisiana Area Health Education Center Foundation. The North La. AHEC's reporting entity is defined in Note 1 to the North La. AHEC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIC OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal Awards revenues are reported in North La. AHEC's financials within the "Grant revenue - Federal" classification. The federal portion for fiscal year ended September 30, 2013 was \$1,217,811.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - MATCHING REVENUES For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**North Louisiana Area Health
Education Center Foundation
Schedule of Findings and Questioned Costs
September 30, 2013**

PART I - Summary of the Auditor's Results

Financial Statement Audit

- i. The type of audit report issued was unmodified.
- ii. There were four significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

All four of the significant deficiencies were considered to be material weaknesses.

- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were two significant deficiencies required to be disclosed by OMB Circular A-133. These significant deficiencies were considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for major programs was a qualified opinion on the Immunization Grants and on Healthy Start.
- vi. The audit disclosed two audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs were:

Immunization Grants	CFDA# 93.268
Healthy Start	CFDA# 93.926
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

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Part II - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: 2013-001 Inadequate Internal Controls over Financial Reporting

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Good internal control over financial reporting requires that accounting records contain accurate and complete information which would ensure that financial data can be relied upon to monitor the financial well-being of North La. AHEC. These controls include bank reconciliations performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved within a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Receipts should be documented as to when received and should be deposited in a timely manner, within three business days, and recorded properly.

Condition found: The following items were noted during the testing of internal controls over financial reporting and review of the general ledger:

- It was noted that the financial records were not fully up-to-date and accurate. The auditor requested North La. AHEC go back and correct accounts payable and deferred revenue balances at year end.
- When testing journal entries and internal controls, it was noted that journal entries are not being reviewed when posted.
- When testing a sample of vendor files, it was noted that several invoices paid were past due at the time of payment. Also, it was noted that some vendors were continuously overpaid resulting in credit balances carrying with those vendors. There was also one check noted where a repayment was submitted to another agency to repay for a check mistakenly deposited by North La. AHEC several months earlier.
- When testing 30 randomly selected receipts, the auditor could not determine if the receipts are being deposited in a timely manner due to lack of documentation of the date received.
- When testing 7 bank reconciliations for timeliness and agreement to the general ledger, it was noted that 5 bank reconciliations did not agree to the general ledger. Additionally, 4 of the 7 reconciliations were not reviewed and approved by Executive Director, and one reconciliation had information reflected for the wrong account.
- When reviewing internal controls, it was noted that North La. AHEC was doing business with employees or employee family members outside of normal payroll.
- During the testing of 11 disbursements for unrecorded accounts payable, it was noted that North La. AHEC did not record 3 invoices as a payable that related to 2013 fiscal year end.
- When testing cash accounts, it was noted that an employee had to make a personal loan to North La. AHEC in order for the agency to cover payroll disbursement obligations.
- When testing fringe benefits, it was noted that the amount paid to various employees was calculated incorrectly for employee fringe benefits based on payroll registers and actual benefit costs.
- In testing accounts payable, it was noted that North La. AHEC has significant amounts owed to the IRS and Louisiana Department of Revenue for payroll withholdings. These funds are considered trust funds held on behalf of employees and are to be paid to the IRS within 3 business days of

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Part II - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

payroll processing.

Possible asserted effect (cause and effect):

Cause: During the fiscal year ended September 30, 2013, North La. AHEC experienced turnover in the Fiscal Coordinator position.

Effect: The internal controls over financial reporting are weakened.

Recommendations to prevent future occurrences: North La. AHEC should review all policies concerning financial reporting and internal controls over financial reporting. These policies should be adjusted to strengthen the controls over financial reporting as well as approved by the Board of Directors. Procedures should be established to ensure that policies are adhered to.

View of responsible official: The majority of these issues have been resolved with the termination for cause of the North La. AHEC Fiscal Director that served from June 2012 through May 2013.

Also, cash flow has been an ongoing challenge for North La. AHEC throughout FY 2013 due to several external issues primarily out of our control:

- North La. AHEC requested an extension from the Louisiana Legislative Auditor in March 2013 regarding the March 31 filing of its annual audit report. The extension was denied and payables from state agencies were held from North La. AHEC (March-June 2013) until the report was properly filed in mid-June. Reimbursements resumed to North La. AHEC in July 2013.
- On June 1, 2013, North La. AHEC was awarded a \$500,000 grant from HRSA which required a project start date of the same date. Due to HRSA issues and changes North La. AHEC did not receive and reimbursement of the August expenses until early October.
- The June, July and September HRSA reimbursements were further delayed due to the closure of the federal government as it related to the Congressional budget debates in September 2013. The closure was from October 1 through October 16 delaying the reimbursement until late October of funds expended by North La. AHEC during the 3rd and 4th quarter of the fiscal year.
- The closure impacted the reimbursement of some of our state contracts also since the funds are federal pass-through funds from the federal government payable to the State of Louisiana and of which North La. AHEC is a sub-contractor.
- There were also contract delays associated with the state North La. AHEC allocation which should have been provided funds from July 1, 2013 through September 30, 2013. These delays primarily resulted due to the changes associated with the privatization of the LSU Hospitals and their separation from the LSU Medical School in Shreveport where North La. AHEC's state contract is funded.

The bank reconciliations that were referenced were updated or corrected documents completed by the previous Fiscal Director and the Executive Director was not notified changes were made and was not given the updated reports to review.

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Part II - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: 2013-002 Disbursements

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with North La. AHEC's policy or grant requirements. Reviews should be performed for leave used to verify accumulated leave balances are correct. The agency should maintain appropriate time certifications.

Condition found: While testing vendor disbursements, the following items were noted:

- When testing 45 disbursements, which were randomly selected, it was noted that 7 disbursements did not have proper approval prior to payment, 10 disbursements were for the incorrect amount based on supporting documentation or agency policy, 1 disbursement was charged to the wrong program, and 1 disbursement was unable to determine the business purpose.
- When testing 2 months of credit card purchases, which included approximately 45 transactions, it was noted that 9 transactions were not properly recorded based on the description of the expense or grant term and 1 transaction was posted for the wrong amount.
- When testing 25 travel reimbursements, it was noted that 13 reimbursements did not have mileage calculated correctly based on the agency policy or grant terms.

While testing payroll disbursements, the following items were noted:

- When testing 28 Healthy Start payroll disbursements, it was noted that 1 disbursement did not have garnishment withheld as required, 3 disbursements had leave time taken that was not properly reflected, 9 disbursements did not have proper time certifications, and the fringe benefits calculation was not calculated in accordance with policy.

Possible asserted effect (cause and effect):

Cause: During the fiscal year ended September 30, 2013, North La. AHEC experienced turnover in the Fiscal Coordinator position.

Effect: The internal controls over vendor disbursements are weakened.

Recommendations to prevent future occurrences: North La. AHEC should establish policies and procedures to ensure that all expenses are properly recorded, properly approved, have all required supporting documentation and documentation is not altered. Additionally, procedures should be established to ensure travel reimbursements are in accordance with North La. AHEC's policy and in accordance with any grant agreements. All vendor disbursements should have all required signatures for approval and payment. North La. AHEC should also establish monitoring procedures to ensure that the policies are being adhered to.

View of responsible official: The majority of these issues have been resolved with the termination for cause

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Part II - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

of the North La. AHEC Fiscal Director that served from June 2012 through May 2013.

Reference # and title: **2013-003** **Grant Management**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Proper internal controls over grant management require that all invoices submitted for reimbursement agree to actual expense paid, invoices should be reviewed and approved, and in accordance with the grant or contract agreement. Internal controls over grant management also include ensuring that funds received are being used on the activities related to the program. Good internal controls over grant management ensure that grants indirect costs are covering overhead costs.

Condition found: When reviewing grant and contract agreements and the related expenses paid for these grants, the following items were noted:

- North La. AHEC did not have anyone reviewing the general ledger expenses and indirect costs received from grants. It was noted that monies received for indirect costs represent approximately 35% of the total administrative costs not associated with a grant.
- The VFC Immunization programs received more for fringe benefits than what was actually paid. This resulted in deferred revenue increasing approximately \$5,200.
- It was noted in review of the Healthy Start Grant that North La. AHEC is paying out approximately 33% in fringe benefits; however, the grant only covers 25%. Therefore, any indirect costs received on other programs will have to absorb this difference.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: North La. AHEC is not in compliance with grant and contract agreements as well as internal controls are weakened.

Recommendations to prevent future occurrences: North La. AHEC should establish policies and procedures to ensure the approved budgets are being followed. Additionally, any rebudgeting that is necessary should be submitted to the appropriate agencies for approval before requests are being submitted. Monitoring procedures should be established to ensure expenses are recorded properly and requested properly and timely. Furthermore, analysis on grants should be completed and maintained to ensure that general revenues received from indirect costs are sufficient to cover general expenses to ensure adequate cash flows.

View of responsible official: The majority of these issues have been resolved with the termination for cause of the North La. AHEC Fiscal Director that served from June 2012 through May 2013.

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Part II - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section. 510(a):

Reference # and title: **2013-004** **Misappropriation of Assets**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Internal controls should be established to ensure that all expenses are valid expenses as well as properly reviewed for accuracy.

Condition found: During the 2012 audit, it was noted by the auditor that an employee's garnishment was being paid by the agency without being deducted from the employee's pay check. This similar activity occurred during the 2013 fiscal year until the departure of the employee.

When testing the credit card purchases for the same employee mentioned above, there were multiple instances noted where purchases appeared to be for personal use as well as multiple charges without proper supporting documentation.

Possible asserted effect (cause and effect):

Cause: Detailed reviews were not being performed on expenses.

Effect: North La. AHEC paid monies with no receipt of benefit.

Recommendation to prevent future occurrences: North La. AHEC should establish procedures to ensure that all expenses are properly documented and calculated. Additionally, journal entries need to be reviewed to ensure adjustments made in the general ledger agree with supporting documentation and are accurate.

View of responsible official: The majority of these issues have been resolved with the termination for cause of the North La. AHEC Fiscal Director that served from June 2012 through May 2013.

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Part III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: **2013-005** **Cash Management**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grants	United States Department of Health and Human Services/ 2012, 2013 Passed through Louisiana Department of Health and Hospitals, Office of Public Health		93.268
Healthy Start	United States Department of Health and Human Services	93.926	2012, 2013

Criteria or specific requirement: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the awarding agency and disbursement.

Condition found: When reviewing cash management, the following was noted:

- For the Immunization Grants/Vaccine for Children, the budgeted amount allowed and the amount requested for fringe benefits for salaries paid was more than the actual amount paid by North La. AHEC. This resulted in North La. AHEC over-requesting approximately \$5,200, which was recorded as deferred revenue.
- For the Healthy Start Grant, it was noted that North La. AHEC could not locate the December 2012 invoice that was completed in accordance with the agency’s procedures.
- For both programs, it was noted that North La. AHEC had requested reimbursement for valid payroll withholdings; however, when the money was received, the agency did not use those funds to pay for the obligation within the three day requirement. At fiscal year end, North La. AHEC owes significant amounts of payroll withholding obligations to the IRS and Louisiana Department of Revenue.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: North La. AHEC was not in compliance with the compliance requirements relating to cash management.

Recommendations to prevent future occurrences: North La. AHEC should establish procedures to ensure that requests for reimbursements only include actual costs paid or payments are made no later than three days after receipt, depending on the program. Monitoring procedures should be established to ensure cash management procedures are followed.

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Part III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

View of responsible official: In May 2013, North La. AHEC terminated its Fiscal Director for cause associated with fraud and theft associated with her fringe benefits and failure to deduct from her payroll a garnishment that she paid with North La. AHEC funds. Her efforts also resulted in other issues of non-compliance with North La. AHEC policies and poor recordkeeping. The previous Fiscal Director was not consistent in paying or handling tax matters despite providing documentation and details to the contrary.

Reference # and title: **2013-006** **Disbursements**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2012, 2013

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with North La. AHEC's policy or grant requirements. Reviews should be performed for leave used to verify accumulated leave balances are correct. The agency should also maintain appropriate time certifications.

**SEE PART II FINDING 2013-002 FOR CONDITION FOUND, POSSIBLE
ASSERTED EFFECT, RECOMMENDATIONS AND VIEW OF RESPONSIBLE OFFICIAL**

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OTHER INFORMATION

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Reference # and title: **12-F1** **Board Meetings**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: According to Louisiana R.S. 12:229 and North Louisiana Area Health Education Center's (North La. AHEC) articles of incorporation, "at least one meeting of the members shall be held in each calendar year for the election of directors."

Although North La. AHEC had board meetings at the end of the fiscal year, it was noted that the meeting to be held for the election of directors did not take place until after year end.

Corrective action taken: Board meetings were held in October 2012 and officers took office on January 1, 2013. This item is considered cleared.

Reference # and title: **12-F2** **Approval Process for Disbursements**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: According to North La. AHEC's policy regarding check signing, "checks over \$2,500 must be signed by at least two individuals, including the CEO/Executive Director, the President or Treasurer of the Board of Directors."

During the testing of prepaid expenses, it was noted that one check that exceeded \$2,500 did not have dual signatures.

During the auditors' testing of disbursements, it was noted that an EFT (electronic funds transfer) payment for an American Express bill did not have proper initials for approval. During the prior year's audit, it was confirmed that the initials on the invoice tested was not the Board President's initials and was falsified.

Corrective action taken: All North La. AHEC payment request/check requests forms (internal fiscal documents) now indicate whether or not expenditures require second signature and additional approval. This finding is considered cleared.

Reference # and title: **12-F3** **Inadequate Internal Controls over Financial Reporting**

Origination Date: This finding originated fiscal year ended September 30, 2010.

Entity-wide or program/department specific: This finding is entity-wide.

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Condition: Good internal control over financial reporting requires that accounting records contain accurate and complete information which would ensure that financial data can be relied upon to monitor the financial well-being of North La. AHEC. These controls include bank reconciliations performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved within a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Receipts should be documented as to when received and should be deposited in a timely manner, within three business days, and recorded properly. Additionally, proper segregation of duties or mitigating controls in situations of lack of segregation of duties should be established and proper documentation should be maintained.

The following items were noted during the testing of internal controls over financial reporting and review of the general ledger:

- It was noted that the financial records were not up-to-date and accurate. The auditor received several trial balances that did not appear accurate, in which North La. AHEC had to hire a fee accountant to assist with the accuracy of the general ledger. It was also noted that some of the check numbers listed in the general ledger history did not agree to the actual check number issued by the agency.
- When testing journal entries, it was noted that the entries are not being reviewed when posted. It was noted that 7 of 44 journal entries tested were incorrect; however the fee accountant had found the error and corrected these entries. Four of 44 journal entries tested were incorrect that were not corrected by the fee accountant, in which an audit adjustment was proposed to management.
- When testing 30 randomly selected receipts, it was noted that 22 of the receipts were either not deposited in a timely manner, within 3 business days from the time of collections, or timeliness could not be determined due to inadequate documentation. Additionally, 6 of the 30 receipts were not properly recorded and 2 of the 30 receipts had no supporting documentation. It was also noted that one receipt was posted correctly on the initial trial balance received from the agency, but was incorrect on the final trial balance.
- When testing 4 bank reconciliations for timeliness and agreement to the general ledger, it was noted that 2 bank reconciliations were not performed in a timely manner, with lag time ranging from 3 months to 5 months. It was also noted that 3 of the 4 bank reconciliations did not agree to the general ledger.
- When testing the year end bank reconciliation, an audit adjustment was proposed to management in order to correct the reconciliation, which related to transfers between the operating and the payroll accounts.
- When reviewing internal controls, it was noted that reviews of transactions and reports are backed dated, rather than dated when review actually occurs.
- During the testing of wages payable, it was noted that North La. AHEC did not calculate the original amount correctly, in which the auditor provided assistance to the client. It was further noted that when the agency recorded wages payable, the agency failed to reverse prior year wages payable in which an audit adjustment was proposed to management.
- When comparing the amount withheld versus the amount paid for employee garnishments for the agency, it was noted that the amount withheld by the agency does not agree to the amount being paid by the agency for three employees.
- During the transition between three Fiscal Coordinators during the year, it was noted that the amount paid to various employees was calculated incorrectly for employee fringe benefits based on payroll

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registers provided.

- It was also noted through a review of the agency's deferred revenue calculations at year-end that some employees were charged to incorrect grants. Adjusting entries were proposed to management to correct these charges.

Corrective action planned: See current year finding 2013-001.

Reference # and title: **12-F4** **Disbursements**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with North La. AHEC's policy or grant requirements.

While testing vendor disbursements, the following items were noted:

- When testing 48 checks and 60 electronic funds transfers, which were randomly selected, it was noted that 11 disbursements did not have proper approval prior to payment, 3 disbursement was for the incorrect amount based on supporting documentation, 1 disbursement that was posted to the books did not agree to the amount paid by the agency, 7 disbursements were not charged to the correct accounts, and for 6 disbursements the agency was not able to provide proper supporting documentation.
- When testing 2 months of credit card purchases, which included approximately 70 transactions, it was noted that 14 transactions did not have adequate documentation to substantiate the purpose of the payment or was missing a receipt; 8 transactions were not properly recorded based on the description of the expense or grant terms.
- When testing unrecorded accounts payable at year end, it was noted that one payable was overstated; however another payable was understated. Audit adjustments were proposed to management. It was also noted in the test of unrecorded payables that North La. AHEC had 3 transactions in which the general ledger did not agree with the bank statement; however, these transactions were for the subsequent period.
- When testing 26 travel reimbursements, it was noted that 13 reimbursements did not have mileage calculated correctly. It was also noted that one reimbursement was missing supporting documentation as well as one reimbursement was not turned in timely.
- It was also noted through a review of the Louisiana Legislative Auditor's report issued for the agency that there were improper and undocumented travel expenditures for the executive director charged to the agency's credit card. These expenditures were later reimbursed to the agency.

While testing payroll disbursements, the following items were noted:

- When testing 79 direct deposits that were randomly selected, it was noted that the direct deposit authorization could not be found for 1 employee, 2 employees were incorrectly charged on the final general ledger in which auditor proposed journal entries to correct, time cards were not properly approved for 2 disbursements, 4 exceptions noted where proper supporting documentation could not be found, and 1 employee was incorrectly paid overtime instead of compensatory time. It was also

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noted that those employees that are split among various programs are not completing time certifications for each payroll.

Corrective action planned: See current year finding 2013-002.

Reference # and title: **12-F5** **Grant Management**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Proper internal controls over grant management require that all invoices submitted for reimbursement agree to actual expense paid, invoices should be reviewed and approved, and in accordance with the grant or contract agreement. Internal controls over grant management also include ensuring that funds received are being used on the activities related to the program.

When reviewing grant and contract agreements and the related expenses paid for these grants, the following were noted:

- North La. AHEC did not have anyone reviewing the general ledger expenses and request for reimbursements to ensure they are being properly recorded and requested throughout the fiscal year.
- One program allowed for fringe benefits of 15% of salaries paid based on the approved budget and North La. AHEC requested for 15% of salaries paid; however, North La. AHEC was only paying out approximately 9.65% in fringe benefits of salaries. This resulted in North La. AHEC over-requesting approximately \$12,712. The auditor proposed an adjustment to move the excess receipts to deferred revenue.
- It was also noted through a review of the Louisiana Legislative Auditor's report issued for the agency that North La. AHEC had to pay back approximately \$3,489.48 for one program in which reimbursement was requested for expenditures that were not incurred by the agency.

Corrective action planned: See current year finding 2013-003.

Reference # and title: **12-F6** **Compensated Absences**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: According North La. AHEC's employee policies and procedures manual, of the available vacation that is not used by the end of the benefit year, employees may carry up to forty hours of unused time forward to the next benefit year. Employees that follow the appropriate termination procedure will be paid for unused vacation time that is earned through the last day of work. Additionally, internal controls over compensated absences required adequate documentation for leave taken as well as leave accumulated be documented and maintained.

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Although North La. AHEC has made changes after fiscal year ended September 30, 2013, during the audited fiscal year, it was noted that North La. AHEC's policy of capping unused vacation time to 40 hours for carry over is not being adhered to. Additionally, it was noted that the leave documentation for all employees was not located in the same, centralized location. Furthermore, all leave requests were not maintained and reconciled to compensated absences spreadsheet.

Corrective action taken: North La. AHEC has updated its policy in May 2013 and are working with staff to utilize vacation time to lower vacation balances. This finding is considered cleared.

Reference # and title: **12-F7** **Capital Assets**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Proper internal controls over capital assets ensure that proper accounting of capital assets is maintained. Expenditures should be correctly classified in the accounting records. Capital assets should be added to the listing based on historical costs. Monitoring should be performed frequently to ensure the capital asset listing is current and complete.

While testing of capital assets, the following was noted:

- The capital asset listing did not include all items purchased over the \$500 threshold.
- There were items that were added to the listing; however, the cost did not include all charges associated with the listing.
- When reviewing supplies and other expense accounts, it was noted that 1 expense item could not fully be supported by proper documentation to determine if an asset should have been recorded.

All equipment expenses over \$500 were inventoried and documented in a permanent database/spreadsheet and notebook with all relevant documentation and inventory number included. All invoices for these purchases were maintained as part of the permanent inventory records, also. The spreadsheet identified the equipment, actual costs, serial number, date of purchase, location, program and other pertinent information regarding the equipment. This finding is considered cleared.

Reference # and title: **12-F8** **Misappropriation of Assets**

Origination Date: This finding originated fiscal year ended September 30, 2012.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Internal controls should be established to ensure that all expenses are valid expenses as well as properly reviewed for accuracy.

When reviewing the payroll cash account on the general ledger against the payroll bank statement it was noted that the reports reflecting the payroll register per North La. AHEC's software system did not agree to amounts actually transferred as the payroll direct deposit. After further research, it was noted that an

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employee was paid for amounts that should have been withheld as a garnishment. It was also noted that although amounts were not withheld properly, North La. AHEC made garnishment payments in behalf of the employee.

Corrective action planned: See current year finding 2013-004.

Reference # and title: **12-F9** **Late Submission of Audit Report to Legislative Auditor**

Origination Date: This finding originated fiscal year ended September 30, 2010.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: The audit report should be filed timely to the Louisiana Legislative Auditors within six months after year end, accordance to Louisiana R.S. 24:513A (5) (a) (i).

Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year". North La. AHEC C's audit for the year ended September 30, 2013 was not completed within six months of the close of the North La. AHEC's year end due to the financial records were not complete and accurate.

Corrective action taken: North La. AHEC hired a CPA firm assure records are ready for the audit and to assure the audit report is complete and ready for filing by March 31 annually. This finding is considered cleared.

Reference # and title: **12-F10** **Cash Management**

Origination Date: This finding originated fiscal year ended September 30, 2012.

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grant 2011, 2012	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health		93.268

Condition: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the awarding agency and disbursement.

When reviewing cash management, the following was noted:

- For the Immunization Grants/Vaccine for Children, the budget allowed for fringe benefits of 15% of salaries paid and North La. AHEC requested for 15% of salaries paid; however, North La. AHEC was only paying out approximately 9.65% in fringe benefits of salaries. This resulted in North La. AHEC

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over-requesting approximately \$12,712. The auditor proposed an audit adjustment to move the excess receipts to deferred revenue.

- It was also noted that North La. AHEC could not locate the December 2011 claims for reimbursement in order for the auditor to test fully.

Corrective action planned: See current year finding 2013-005.

Reference # and title: **12-F11** **Reporting**

Origination Date: This finding originated fiscal year ended September 30, 2009.

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2012, 2013

Condition: Federal financial report, SF-425, is required to be submitted quarterly and annually. The reports include information regarding cash receipts, cash disbursements and cash on hand. It also includes federal expenditures and unobligated balances remaining on the federal funds authorized. The SF-425 for the quarterly information should be submitted within 30 days after the period end whereas the annual report is required to be submitted within 90 days after period end.

In testing financial and performance reports, the following exceptions were noted:

- The reports were not submitted within the 30 day requirement.
- The cash disbursements on the quarterly SF-425 reports were reported incorrectly. The agency reported the amount received rather than actual disbursements paid.
- The annual SF-425 report was not submitted within the 90 day requirement as well as the total funds expended reported were not actual expenses but amounts of federal funds received.
- The agency was unable to provide supporting documentation in order to complete the testing of the report.

Corrective action taken: All reports, including the SF-425, were prepared by the Accounting Director and the CEO in accordance with reports from the GL. All reports were signed, dated and submitted by the CEO and provided in a timely manner to the Accounting Director and the Healthy Start Project Director for their records. This finding is considered cleared.

**North Louisiana Area Health
Education Center Foundation
Summary Status of Prior Year Audit Findings and Questioned Costs
September 30, 2013**

Reference # and title: **12-F12** **Vendor Disbursements**

Origination Date: This finding originated fiscal year ended September 30, 2011.

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grant	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health	93.268	2011, 2012
Healthy Start	United States Department of Health and Human Services	93.926	2012, 2013

**SEE PART FINDING 12-F4 FOR CONDITION AND
CORRECTIVE ACTION PLANNED**

**North Louisiana Area Health
Education Center Foundation
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
September 30, 2013**

Reference # and title: **2013-001** **Inadequate Internal Controls over Financial Reporting**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Good internal control over financial reporting requires that accounting records contain accurate and complete information which would ensure that financial data can be relied upon to monitor the financial well-being of North La. AHEC. These controls include bank reconciliations performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved within a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Receipts should be documented as to when received and should be deposited in a timely manner, within three business days, and recorded properly.

The following items were noted during the testing of internal controls over financial reporting and review of the general ledger:

- It was noted that the financial records were not fully up-to-date and accurate. The auditor requested North La. AHEC go back and correct accounts payable and deferred revenue balances at year end.
- When testing journal entries and internal controls, it was noted that journal entries are not being reviewed when posted.
- When testing a sample of vendor files, it was noted that several invoices paid were past due at the time of payment. Also, it was noted that some vendors were continuously overpaid resulting in credit balances carrying with those vendors. There was also one check noted where a repayment was submitted to another agency to repay for a check mistakenly deposited by North La. AHEC several months earlier.
- When testing 30 randomly selected receipts, the auditor could not determine if the receipts are being deposited in a timely manner due to lack of documentation of the date received.
- When testing 7 bank reconciliations for timeliness and agreement to the general ledger, it was noted that 5 bank reconciliations did not agree to the general ledger. Additionally, 4 of the 7 reconciliations were not reviewed and approved by Executive Director, and one reconciliation had information reflected for the wrong account.
- When reviewing internal controls, it was noted that North La. AHEC was doing business with employees or employee family members outside of normal payroll.
- During the testing of 11 disbursements for unrecorded accounts payable, it was noted that North La. AHEC did not record 3 invoices as a payable that related to 2013 fiscal year end.
- When testing cash accounts, it was noted that an employee had to make a personal loan to North La. AHEC in order for the agency to cover payroll disbursement obligations.
- When testing fringe benefits, it was noted that the amount paid to various employees was calculated incorrectly for employee fringe benefits based on payroll registers and actual benefit costs.
- In testing accounts payable, it was noted that North La. AHEC has significant amounts owed to the IRS and Louisiana Department of Revenue for payroll withholdings. These funds are considered trust funds held on behalf of employees and are to be paid to the IRS within 3 business days of payroll processing.

**North Louisiana Area Health
Education Center Foundation
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
September 30, 2013**

Corrective action planned:

- The majority of these issues have been resolved with the termination for cause of the North La. AHEC Fiscal Director that served from June 2012 through May 2013. The financial records required updating and corrections as a result of the prior lack of attention to detail and compliance to existing fiscal policies.
- Journal entries are currently being reviewed weekly as posted by the Fiscal Director, monthly by the Executive Director and Program Directors and again monthly by the Executive Director and the Fiscal Director when invoices are being prepared.
- Previously, the former Fiscal Director was unable to maintain an accurate accounts payable file. There was a lack of organization and attention to detail resulting in multiple postings and payments to certain vendors. This has been corrected. Unfortunately, cash flow still dictates our ability to cover expenses and pay bills on time, but we are experiencing improvement in this area and avoiding late fees by communicating our challenges and making verbal arrangements with vendors regarding payments.
- North La. AHEC policy requires that all mail, including checks, must be date-stamped and deposited within 3 days of receipt. All mail including checks are opened by the Administrative Assistant or another designee appointed by the Executive Director.
- The bank reconciliations that were referenced were updated or corrected documents completed by the previous Fiscal Director and the Executive Director was not notified changes were made and was not given the updated reports to review.
- North La. AHEC is no longer doing business with employees or employee family members outside of the normal payroll.
- Certain payables that were not recorded at the September 30 year end were a result of a learning curve by the new Fiscal Director that was engaged by North La. AHEC in June 2013. This has been corrected and she has been oriented by the auditors and leadership regarding the accounts in question.
- Regarding employee fringe benefits, the previous Fiscal Director was calculating these expenses incorrectly. The amounts were not in compliance with approved grant and contract budget amounts. When a new Fiscal Director was engaged this practice was initially continued but after orientation with the North La. AHEC Executive Director, careful study and organization of all grant and contract records and meetings with both North La. AHEC's CPA and auditors, this issues has been rectified and all fringe benefits are calculated in compliance with the respective grant or contract, as well as North La. AHEC policies.
- The previous Fiscal Director was not consistent in paying or handling tax matters despite providing documentation and details to the contrary. Currently the North La. AHEC staff, leadership and Legal Counsel are negotiating with the IRS to reduce the debt and penalty owed at this time. North La. AHEC staff is maintaining accurate tax records and making every effort to pay all taxes on time and maintain the proper documentation.
- The North La. AHEC Executive Director and Fiscal Director will review all fiscal and personnel policies and make recommendations to the Board of Directors for changes that will strengthen internal controls and financial reporting.

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: Completed and ongoing.

**North Louisiana Area Health
Education Center Foundation
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
September 30, 2013**

Reference # and title: **2013-002** **Disbursements**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, and paid timely. Additionally, all supporting documentation for the expenditures should be obtained, maintained and not altered. Furthermore, travel reimbursements should be in accordance with North La. AHEC's policy or grant requirements. Reviews should be performed for leave used to verify accumulated leave balances are correct. The agency should also maintain appropriate time certifications.

While testing vendor disbursements, the following items were noted:

- When testing 45 disbursements, which were randomly selected, it was noted that 7 disbursements did not have proper approval prior to payment, 10 disbursements were for the incorrect amount based on supporting documentation or agency policy, 1 disbursement was charged to the wrong program, and 1 disbursement was unable to determine the business purpose.
- When testing 2 months of credit card purchases, which included approximately 45 transactions, it was noted that 9 transactions were not properly recorded based on the description of the expense or grant term and 1 transaction was posted for the wrong amount.
- When testing 25 travel reimbursements, it was noted that 13 reimbursements did not have mileage calculated correctly based on the agency policy or grant terms.

While testing payroll disbursements, the following items were noted:

- When testing 28 Healthy Start payroll disbursements, it was noted that 1 disbursement did not have garnishment withheld as required, 3 disbursements had leave time taken that was not properly reflected, 9 disbursements did not have proper time certifications, and the fringe benefits calculation was not calculated in accordance with policy.

Corrective action planned:

- In May 2013, North La. AHEC terminated its Fiscal Director for cause associated with fraud and theft associated with her fringe benefits and failure to deduct from her payroll a garnishment that she paid with North La. AHEC funds. Her efforts also resulted in other issues of noncompliance with North La. AHEC policies and poor recordkeeping.
- However, in June 2013, North La. AHEC engaged the services of a new Fiscal Director resulting in compliance with our existing policies, grants and contracts. As a result of this change, approximately 6 months (July 2013-December 2013) were spent conducting an internal audit of expenses, records and documentation.
- North La. AHEC was able to begin Fiscal Year 2014 with an updated and more efficient accounting system and with corrected and organized documentation for most of FY 2013 and for FY 2014. We are maintaining this effort through weekly and monthly reviews.

**North Louisiana Area Health
Education Center Foundation
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
September 30, 2013**

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: Completed and ongoing.

Reference # and title: **2013-003** **Grant Management**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Proper internal controls over grant management require that all invoices submitted for reimbursement agree to actual expense paid, invoices should be reviewed and approved, and in accordance with the grant or contract agreement. Internal controls over grant management also include ensuring that funds received are being used on the activities related to the program. Good internal controls over grant management ensure that grants indirect costs are covering overhead costs.

When reviewing grant and contract agreements and the related expenses paid for these grants, the following were noted:

- North La. AHEC did not have anyone reviewing the general ledger expenses and indirect costs received from grants. It was noted that monies received for indirect costs represent approximately 35% of the total administrative costs not associated with a grant.
- The VFC Immunization programs received more for fringe benefits than what was actually paid. This resulted in deferred revenue increasing approximately \$5,200.
- It was noted in review of the Healthy Start Grant that North La. AHEC is paying out approximately 33% in fringe benefits; however, the grant only covers 25%. Therefore, any indirect costs received on other programs will have to absorb this difference.

Corrective action planned:

- In May 2013, North La. AHEC terminated its Fiscal Director for cause associated with fraud and theft associated with her fringe benefits and failure to deduct from her payroll a garnishment that she paid with North La. AHEC funds. Her efforts also resulted in other issues of noncompliance with North La. AHEC policies and poor recordkeeping.
- However, in June 2013, North La. AHEC engaged the services of a new Fiscal Director resulting in compliance with our existing policies, grants and contracts. As a result of this change, approximately 6 months (July 2013-December 2013) were spent conducting an internal audit of expenses, records, compliance with policies and documentation.
- North La. AHEC general ledger expenses and indirect costs are currently being reviewed weekly as posted by the Fiscal Director, monthly by the Executive Director and Program Directors and again monthly by the Executive Director and the Fiscal Director when invoices are being prepared. Additionally spreadsheets are maintained on each grant or contract by month and YTD to indicate income and expenses as it relates to the approved budgets associated with the contract and/or grant.

**North Louisiana Area Health
Education Center Foundation
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September 30, 2013**

- Currently all employee costs are related to either a grant or contract. The Fiscal Director and Executive Director have worked to identify all expenses and assure they are being properly posted to the correct program or revenue stream and charged against the correct invoice.
- Budget reallocation and consideration are reviewed monthly by fiscal, programming and executive staff and allocation requests are made in a timely manner. YTD expenses by program are reviewed prior to the approval of travel and/or other significant expenditures.
- Overcharges to the VFC Immunization Programs are currently being audited and arrangements are underway to reimburse the state for these funds.
- Indirect charges are detailed in fiscal records and reviewed monthly.

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: Completed and ongoing.

Reference # and title: **2013-004** **Misappropriation of Assets**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Internal controls should be established to ensure that all expenses are valid expenses as well as properly reviewed for accuracy.

During the 2012 audit, it was noted by the auditor that an employee's garnishment was being paid by the agency without being deducted from the employee's pay check. This similar activity occurred during the 2013 fiscal year until the departure of the employee.

When testing the credit card purchases for the same employee mentioned above, there were multiple instances noted where purchases appeared to be for personal use as well as multiple charges without proper supporting documentation.

Corrective action planned:

- These issues have been resolved with the termination of the North La. AHEC Fiscal Director that served from June 2012 through May 2013. In May 2013, North La. AHEC terminated its Fiscal Director for cause associated with fraud and theft associated with her fringe benefits and failure to deduct from her payroll a garnishment that she paid with North La. AHEC funds. Her efforts also resulted in other issues of noncompliance with North La. AHEC policies and poor recordkeeping.
- However, in June 2013, North La. AHEC engaged the services of a new Fiscal Director resulting in compliance with our existing policies, grants and contracts. As a result of this change, approximately 6 months (July 2013-December 2013) were spent conducting an internal audit of expenses, records, compliance with policies and documentation.
- All misappropriated funds were recovered except approximately \$45 which North La. AHEC is attempting to collect at this time.

**North Louisiana Area Health
Education Center Foundation
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
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- North La. AHEC expenses are currently being reviewed weekly as posted by the Fiscal Director, monthly by the Executive Director and Program Directors and again monthly by the Executive Director and the Fiscal Director when invoices are being prepared. Expenses are reviewed in advance and again prior to vendor payments.

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health Education Center Foundation
1513 Doctors Drive
Bossier City, Louisiana 71111

Telephone: 318-746-4644
Fax: 318-746-4677

Anticipated completion date: Completed and ongoing.

Reference # and title: **2013-005** **Cash Management**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Immunization Grants 2013	United States Department of Health and Human Services/ Passed through Louisiana Department of Health and Hospitals, Office of Public Health	93.268	2012,
Healthy Start	United States Department of Health and Human Services	93.926	2012, 2013

Condition: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the awarding agency and disbursement.

When reviewing cash management, the following was noted:

- For the Immunization Grants/Vaccine for Children, the budgeted amount allowed and the amount requested for fringe benefits for salaries paid was more than the actual amount paid by North La. AHEC. This resulted in North La. AHEC over-requesting approximately \$5,200, which was recorded as deferred revenue.
- For the Healthy Start Grant, it was noted that North La. AHEC could not locate the December 2012 invoice that was completed in accordance with the agency's procedures.
- For both programs, it was noted that North La. AHEC had requested reimbursement for valid payroll withholdings; however, when the money was received, the agency did not use those funds to pay for the obligation within the three day requirement. At fiscal year end, North La. AHEC owes significant amounts of payroll withholding obligations to the IRS and Louisiana Department of Revenue.

**North Louisiana Area Health
Education Center Foundation
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
September 30, 2013**

Corrective action planned:

- Overcharges to the VFC Immunization Programs are currently being audited and arrangements are underway to reimburse the state for these funds.
- In May 2013, North La. AHEC terminated its Fiscal Director for cause associated with fraud and theft associated with her fringe benefits and failure to deduct from her payroll a garnishment that she paid with North La. AHEC funds. Her efforts also resulted in other issues of noncompliance with North La. AHEC policies and poor recordkeeping.
- The previous Fiscal Director was not consistent in paying or handling tax matters despite providing documentation and details to the contrary. Currently the North La. AHEC staff, leadership and Legal Counsel are negotiating with the IRS to reduce the debt and penalty owed at this time. North La. AHEC staff is maintaining accurate tax records and making every effort to pay all taxes on time and maintain the proper documentation.
- The North La. AHEC Executive Director and Fiscal Director will review all fiscal and personnel policies and make recommendations to the Board of Directors for changes that will strengthen internal controls and financial reporting.

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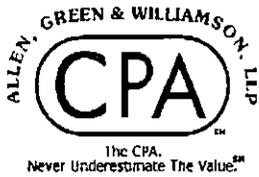
Anticipated completion date: Completed and ongoing.

Reference # and title: **2013-006** **Disbursements**

Federal program and specific Federal award identification:

<u>Federal Program</u>	<u>Federal Grantor /Pass Through Grantor</u>	<u>CFDA #</u>	<u>Award Year</u>
Healthy Start	United States Department of Health and Human Services	93.926	2012, 2013

**SEE PART II FINDING 2013-002 FOR CONDITION,
CORRECTIVE ACTION PLANNED,
PERSON RESPONSIBLE FOR CORRECTIVE ACTION AND
ANTICIPATED COMPLETION DATE**



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive

Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA
Aimee Buchanan, CPA

Matt Carmichael, CPA
Diane Ferschoff, CPA
Jaime Esswein, CPA, CFE
Jaunicia Mercer, CPA, CFE
Roomi Shakir, CPA
Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Management Letter

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

In planning and performing our audit of the financial statements of the North Louisiana Area Health Education Center (North La. AHEC), as of and for the year ended September 30, 2013, which collectively comprise the North La. AHEC's basic financial statements, we considered North La. AHEC's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 28, 2014 on the financial statements of North La. AHEC. 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, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

2013-M1 **Cash Flow Shortfall**

Comment: During the fiscal year ended September 30, 2013, North La. AHEC had experienced cash flow shortfalls, which were diminished by North La. AHEC drawing down from the line of credit as well as obtaining an additional line of credit. Additionally, North La. AHEC has experienced losses from operations over the past two years in excess of \$250,000.

Recommendation: North La. AHEC should evaluate all program and supportive expenses to determine areas that can be reduced to assist the agency in reducing costs. The agency should also establish a plan to increase revenues through grants and fundraising measures. Additionally, North La. AHEC should establish procedures to ensure that the financial records are complete and accurate in order for the financial audit to be submitted timely.

Management Response: The North La. AHEC Board of Directors and staff will take measures to overcome the current and future cash flow issues by examining all expenditures and all organizational activities. The agency staff will continue to review all expenditures and practices to determine opportunities to reduce costs.

The Board will appoint a fundraising committee to work monthly with the staff in these ongoing efforts and to identify possible partners and opportunities for funding. Staff leadership has developed an evolving sustainability plan and will work to implement and expand the plan into a long range strategy to be addressed by the staff weekly and reviewed by the Board quarterly.

The agency staff will review and investigate with partners and stakeholders opportunities to reduce current expenditures and purchases through inkind contributions and bartering arrangements.

The Board of Directors and staff will aggressively seek opportunities to collaborate with potential donors to increase income associated with specific programming and services. Opportunities for support and donations are listed on the webpage and made available to North La. AHEC's constituency, stakeholders, partners and participants. North La. AHEC has developed and implemented web-based and user-friendly opportunities to donate via PayPal, credit card and other means as soon as possible.

Additionally, the leadership will continue to identify contracts and grant opportunities for the organization to expand funding and programming, as well as negotiate a target of 10% indirect costs on these contracts to increase the non-restricted funding to the agency. Staff will also seek to re-negotiate the indirect rates on any grants or contracts that the indirect rate is currently under 10%.

The Board and staff, in collaboration with fiscal and legal counsel will work with creditors to develop a plan to re-structure debt and continue negotiations with the IRS in an effort to abate certain penalties and establish and payment plan to address unpaid taxes.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements of North La. AHEC, as of and for the year ended September 30, 2013, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

Included immediately following this letter is a Status of Prior Management Letter Item. This information has not been audited by Allen, Green & Williamson, LLP, and no opinion is expressed. However, we did follow-up on the prior management letter item and performed procedures to assess the reasonableness of the Status of Prior Management Letter Item prepared by Management, and we would report, as a current-year management letter item when Allen, Green & Williamson, LLP, concludes that the Status of Prior Management Letter Item materially misrepresents the status of any prior management letter item.

Also included are management's response to our current year management letter item. We have performed no audit work to verify the content of the response.

This report is intended solely for the information and use of the Board, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports 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.

Allen, Green & Williamson, LLP

Allen, Green & Williamson, LLP
Monroe, Louisiana
March 28, 2014

**North Louisiana Area Health
Education Center Foundation
Status of Prior Year Management Letter Item
September 30, 2013**

12-M1

Cash Flow Shortfall

Comment: During the fiscal year ended September 30, 2013, North La. AHEC had experienced cash flow shortfalls, which were diminished by North La. AHEC drawing down from the line of credit as well as drawing down grant funds in excess of expenses. Additionally, North La. AHEC receives a significant amount of grants and contributions from the State of Louisiana, in which requires North La. AHEC to submit the audit report to the Louisiana Legislative Auditors. If the agency's report is delinquent, then the agency will be considered to be in noncompliance of state law. Being in noncompliance can cause funding from the State of Louisiana suspended, in which causes additional cash flow shortfalls.

Recommendation: North La. AHEC should evaluate all program and supportive expenses to determine areas that can be reduced to assist the agency in reducing costs. The agency should also establish a plan to increase revenues through grants and fundraising measures. Additionally, North La. AHEC should establish procedures to ensure that the financial records are complete and accurate in order for the financial audit to be submitted timely.

Management Response: See current year management letter item 2013-M1.