

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

**Annual Financial Report  
As of and for the Year Ended September 30, 2010**

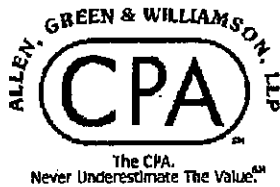
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date SEP 21 2011

**North Louisiana Area Health  
Education Center Foundation**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of North Louisiana Area Health Education Center Foundation, a nonprofit organization, (the North La. AHEC) as of September 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the North La. AHEC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North La. AHEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North La. AHEC, as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2011, on our consideration of the North La. AHEC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the North La. AHEC taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North La. AHEC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Allen, Green & Williamson, LLP*  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
July 6, 2011

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
September 30, 2010**

**Statement A**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	244,352
Investments		17,999
Grant receivable - cost reimbursement		89,364
Prepaid expenses		<u>525</u>
Total current assets		352,240

**PROPERTY AND EQUIPMENT**

Office equipment	160,616	
Furniture	34,526	
Vehicle	18,245	
Building	<u>65,223</u>	
Total property and equipment	278,610	
 Less: Accumulated depreciation	 <u>235,368</u>	
 Total property and equipment - net of depreciation		 <u>43,242</u>

**TOTAL ASSETS** **\$ 395,482**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	11,706
Accrued salaries		96,298
Accrued payroll taxes		7,189
Compensated absences		35,647
Deferred revenue		130,970
Capital lease payable		<u>1,282</u>
Total current liabilities		283,092

**NON-CURRENT LIABILITIES**

Compensated absences	20,097	
Capital lease payable	<u>3,801</u>	
Total non-current liabilities		23,898

**TOTAL LIABILITIES** **306,990**

**NET ASSETS**

Unrestricted net assets		<u>88,492</u>
Total net assets		<u>88,492</u>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 395,482**

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, 2010**

**Statement B**

	<u>UNRESTRICTED</u>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>	
Grants - Area Health Education Program	\$ <u>2,112,370</u>
Other revenue:	
Interest and dividends	2,684
Donations	<u>46,439</u>
Total other revenue	<u>49,123</u>
Total revenues, gains and other support	<u>2,161,493</u>
<b>EXPENSES AND LOSSES:</b>	
Direct program expenses	<u>1,511,685</u>
Supporting Services Expense	
Salaries	269,427
Payroll taxes and benefits	130,140
Supplies and postage	46,731
Telephone	11,195
Travel	34,397
Other operating expenses	90,443
Depreciation	19,205
Marketing and membership	22,690
Legal and accounting	10,168
Interest expense	<u>230</u>
Total supporting services expense	<u>634,626</u>
Total expenses and losses	<u>2,146,311</u>
Change in net assets	15,182
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>73,310</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 88,492</u>

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, 2010**

Statement C

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 15,182
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	19,205
(Increase) decrease in:	
Cost reimbursement receivable	(21,952)
(Decrease) increase in:	
Accounts payable	(34,280)
Accrued salaries	58,115
Accrued payroll taxes	(801)
Compensated absences	13,486
Deferred revenue	15,507
Leases payable	<u>(1,232)</u>
Net cash provided (used) by operating activities	<u>61,230</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Proceeds from maturity of investments	16,722
Purchases of equipment	<u>(7,107)</u>
Net cash provided (used ) by investing activities	<u>9,615</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>70,845</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>173,507</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 244,352</b></u>
<b>INTEREST PAID</b>	<u><b>\$ 230</b></u>

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, 2010**

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**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements  
For the Year Ended September 30, 2010**

**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.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, the North La. AHEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. North La. AHEC's Form 990, *Return of Organization Exempt from Income Tax* for the years ending 2008, 2009, and 2010 are subject to examination by the Internal Revenue Service, generally three years after they are on file.

**Investments** 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. The investments are in certificates of deposits and corporate bonds, which are stated at the quoted fair market value.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. 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 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 \$19,205.

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. 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.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements  
For the Year Ended September 30, 2010**

**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. 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.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The North La. AHEC has not received any restricted contributions.

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.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The North La. AHEC has not received any promises to give.

**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.

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

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements  
For the Year Ended September 30, 2010**

directly identifiable with any other specific function but provide for the overall support and direction of the North La. AHEC.

**NOTE 2 – DEPOSITS AND INVESTMENTS** At September 30, 2010, the North La. AHEC had cash and cash equivalents (book balances) totaling \$244,352 in demand deposits. 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 \$244,352 and the bank balance was \$261,354. Of the bank balance, \$164,697 was covered by federal deposit insurance. North La. AHEC had \$96,657 in a money market fund, which is insured through Securities Investor Protection Corporation (SIPC).

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

**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, 2010, the North La. AHEC had no custodial risk because the bank balances were fully insured by FDIC and SIPC.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counter party, the North La. AHEC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The North La. AHEC investments were \$17,999 at September 30, 2010: in corporate bonds are insured through SIPC. The bonds are fixed income investments.

**Credit Rate Risk:** The corporate bonds have a Moody rating of BA3 and an S&P rating of B+.

**Concentration of Credit Risk – Investments:**

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total Investments</u>
Ford Motor Cr. Co. Bond	\$17,999	100.0%

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements  
For the Year Ended September 30, 2010**

**NOTE 3 – FAIR VALUE MEASUREMENTS** North La. AHEC’s investments are reported at fair value in the accompanying statement of financial position.

Description	Fair Value 9/30/2010	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Corporate Bonds	\$ 17,999	\$ 17,999

FASB ASC 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. North La. AHEC uses appropriate techniques based on the available inputs to measure the fair value of its investments. Dividend income of \$979 was recorded for the year and reported as interest and dividends under other revenue in the statement of activities.

Level 1 Fair Value Measurements:

The fair value of the corporate bonds is based on quoted market prices.

**NOTE 4 – ACCOUNTS RECEIVABLE** Accounts receivable of \$89,364 at September 30, 2010, consists of amounts due from various grants for cost reimbursement. The North La. AHEC expects to collect these balances in full; therefore no allowance for doubtful accounts has been established.

**NOTE 5 – CAPITAL ASSETS** Capital asset balances and activity for the year ended September 30, 2010, are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Exhaustible capital assets				
Buildings	\$ 65,223	\$ -	\$ -	\$ 65,223
Furniture and equipment	188,035	7,107	-	195,142
Transportation equipment	18,245	-	-	18,245
Total	271,503	7,107	-	278,610
Less accumulated depreciation				
Buildings	43,121	3,485	-	46,606
Furniture and equipment	156,102	14,415	-	170,517
Transportation and equipment	16,940	1,305	-	18,245
Total	216,163	19,205	-	235,368
Capital assets, net	\$ 55,340	\$ (12,098)	\$ -	\$ 43,242

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements  
For the Year Ended September 30, 2010**

**NOTE 6 – ACCOUNTS PAYABLE** Accounts payable at September 30, 2010, of \$11,706 consisted as follows:

Vendors	\$11,706
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**NOTE 7 – LINE OF CREDIT** On April 22, 2010 North La. AHEC signed a letter of credit agreement with Capital One. The principal amount was for \$75,000 with a maturity date of April 22, 2011. The balance owed on the loan was \$0 as of September 30, 2010.

**NOTE 8 – LONG TERM OBLIGATIONS** The following is a summary of the long-term obligation transactions for the year ended September 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 42,258	\$ 49,133	\$ 35,647	\$ 55,744	\$ 35,647
Capital leases	6,315	-	1,232	5,083	1,282
Total	\$ 48,573	\$ 49,133	\$ 36,879	\$ 60,827	\$ 36,929

**NOTE 9 – COMPENSATED ABSENCES** All employees earn vacation time based on their years of service. As of September 30, 2010 accrued vacations was \$55,744, which included \$3,961 of employee related benefits.

**NOTE 10 – 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 Plan will be determined annually based on budget allocations and applicable law limitations. Contributions by the North La. AHEC totaled \$115,908 for 2010.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Litigation and claims** The North La. AHEC is not presently involve in litigation.

**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 12 – SUBSEQUENT EVENTS** In November 2010, North La. AHEC received notice of a private donation with a cap of \$750,000 over a three year timeframe to be used to establish a health clinic to be located in South Caddo Parish. The clinic is scheduled to be opened in mid-August 2011. Subsequent events were evaluated up to July 6, 2011.

**NOTE 13 – DEFERRED REVENUE** The beginning balance of deferred revenue carried over from the prior year was \$115,463. Revenues exceeded expenditures for the current year. At September 30, 2010 there was \$130,970 of deferred revenue to be recorded on the financial statements for the Healthy Start federal grant.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements  
For the Year Ended September 30, 2010**

**NOTE 14 – 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 \$1,691,096 or 78% of the North La. AHEC's total revenues, which \$734,636 is state funding and \$956,460 is federal funding.

**NOTE 15 – BUILDING RENTAL** The North La. AHEC moved into a building in Bossier City, Louisiana in October 2006. The building is owned by Willis Knighton Medical Center and furnished rent free to North La. AHEC. The building is 3,822 square feet with a rental value of \$1.00 per square foot at current market price as determined by a local realtor. For the fiscal year 2010, donation income and rent expense of \$45,864 was recorded on North La. AHEC's financials.

**NOTE 16 – OPERATING LEASES** The North La. AHEC leased a copier under non-cancelable operating leases. Total cost for such lease was \$6,972 for the year ended September 30, 2010. The future minimum lease payments for the copier lease are as follows:

<u>Year Ending Sept.30</u>	<u>Amount</u>
2011	\$ 6,972
2012	6,972
2013	6,972
2014	5,810
Total	<u>\$ 26,726</u>

**NOTE 17 – 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. Depreciation is calculated using the straight-line method and is using a five year useful life. Current year depreciation was \$1,323, and accumulated depreciation at September 30, 2010 was \$2,646.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:

2011	\$ 1,462
2012	1,462
2013	1,462
2014	1,096
Total minimum lease payments	<u>5,482</u>
Less: amount representing interest	399
Present value of minimum lease payments	<u>\$ 5,083</u>

**North Louisiana Area Health  
Education Center Foundation**

**SUPPLEMENTAL INFORMATION**

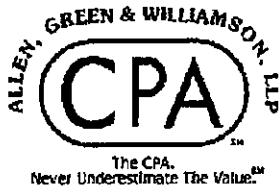
**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenses  
For the Year Ended September 30, 2010**

**Schedule 1**

	<u>Program Services Expenses</u>	<u>Supporting Services Expenses</u>	<u>Total</u>
<b>Salaries and Related Expense</b>			
Salaries	\$ 852,566	\$ 269,427	\$ 1,121,993
Payroll taxes	23,160	59,822	82,982
Employee benefits	140,037	62,259	202,296
Miscellaneous personnel expense	-	8,059	8,059
Total salaries and related expenses	<u>1,015,763</u>	<u>399,567</u>	<u>1,415,330</u>
<b>Other expenses</b>			
Accounting and Audit	-	10,168	10,168
Advertising and Marketing	15,911	22,690	38,601
Board of Directors	-	-	-
Communications	12,196	11,195	23,391
Conferences	688	-	688
Depreciation Expense	-	19,205	19,205
Donations	-	-	-
Equipment	-	1,846	1,846
Evaluations	-	-	-
Fees	-	-	-
Insurance	-	3,674	3,674
Lease Expense	-	8,270	8,270
Licenses and Memberships	-	5	5
Maintenance	-	2,677	2,677
Miscellaneous Expense	27,734	12,595	40,329
Miscellaneous Services	43,398	4,885	48,283
Moving Expense	6,000	-	6,000
Postage	3,997	2,391	6,388
Printing	661	65	726
Recruiting Expense	31,005	-	31,005
Rent Expense	-	45,864	45,864
Scholarships and Memorials	14,446	10,792	25,238
Stipends	-	-	-
Supplies	244,519	44,340	288,859
Training	28,075	-	28,075
Travel	67,292	34,397	101,689
Total other expenses	<u>495,922</u>	<u>235,059</u>	<u>730,981</u>
Total	<u>\$ 1,511,685</u>	<u>\$ 634,626</u>	<u>\$ 2,146,311</u>





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(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

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

We have audited the financial statements of North Louisiana Area Health Education Center Foundation (a non-profit organization) as of and for the year ended September 30, 2010, and have issued our report thereon dated July 6, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 10-F1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance & Other Matters

As part of obtaining reasonable assurance about whether the North La. AHEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 10-F2.

We noted a certain matter that we reported to management of North La. AHEC in a separate letter dated July 6, 2011.

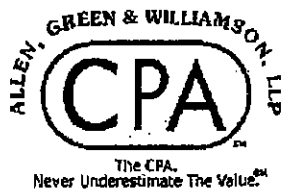
North La. AHEC's response to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. We did not audit North La. AHEC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
July 6, 2011



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## Report on Compliance With Requirements That Could Have Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

### Independent Auditors' Report

#### Board Members

North Louisiana Area Health  
Education Center Foundation  
Bossier City, Louisiana

#### Compliance

We have audited the North Louisiana Area Health Education Center Foundation's (North La. AHEC) compliance with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the North La. AHEC's major federal programs for the year ended September 30, 2010. The North La. AHEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the North La. AHEC's management. Our responsibility is to express an opinion on the North La. AHEC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards 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 North La. AHEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the North La. AHEC's compliance with those requirements.

In our opinion, the North La. AHEC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-F3 and 10-F4.

### Internal Control Over Compliance

The management of the North La. AHEC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the North La. AHEC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 North La. AHEC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detect and corrected, on a timely basis.

*Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the entity's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10-F3 and 10-F4. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of North La. AHEC, as of and for the year ended September 30, 2010, and have issued our report thereon dated July 6, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

North La. AHEC's response to the finding identified in our audit is described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. We did not audit North La. AHEC's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
July 6, 2011

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
<b>CASH FEDERAL AWARDS</b>			
<b>Department of Health and Human Services</b>			
<b>Direct Programs:</b>			
Healthy Start Division	93.926	6H49MC00084-07-01, 5H49MC00084-08-00	\$ 484,485
Health Careers Opportunity ARRA	93.416		5,872
<b>Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health</b>			
Maternal and Child Health Program	93.994	663767, 649105	49,500
Injury Prevention Coordinator	93.994	651103, 652171	17,694
Total for Maternal/Child-Injury Prevention-Block Grant to State			<u>67,194</u>
Material and Child Health Program-Federal Consolidated Program	93.110	H17MC08972	45,860
Block Grants for Prevention and Treatment of Substance Abuse	93.959	664024	12,300
The Children Health Insurance Program (CHIP)	93.767	676765, 692120	14,333
Immunization Grants	93.268	671238, 671239, 671240, 685163,	232,816
<b>Passed Through Louisiana State University Medical Center</b>			
Health Resources and Services Administration	93.107	U77HP08403-01-00	92,000
Centers for Disease Control and Prevention	93.283	U77HP08403-02-01	1,600
Total Federal Awards			<u>\$ 956,460</u>

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010**

**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 "Grants-Area Health Education Program" classification. The federal portion for fiscal year ended September 30, 2010 was \$956,460.

**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, 2010**

**Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There was one significant deficiency required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States. This significant deficiency was not considered to be a material weakness.
- iii. There was one instance 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. The significant deficiencies were not considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- 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 program is:  

CFDA #93.926      Healthy Start Program
- 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 qualify as a low-risk auditee under OMB Circular A-133, Section .530.



**North Louisiana Area Health  
Education Center Foundation  
Schedule of Findings and Questioned Costs  
September 30, 2010**

**Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:**            10-F1            Internal Controls Over Bank Reconciliations

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

**Criteria or specific requirement:** Proper internal controls over bank reconciliations require that they be completed timely, to ensure that unexplained variances between bank and general ledger balances are discovered and resolved quickly. Ending bank reconciliation balances should agree to the entity's financial records. Reconcilable items on the bank reconciliations should be periodically reviewed to determine if the balances are correctly stated on the financial statements.

**Condition found:** Through review of the fiscal year ending September 30, 2010 bank reconciliations, it was noted that the entity's ending bank reconciliation balance did not support the ending balance of the entity's general ledger. No reviews were completed to ensure the Agency's bank reconciliations agreed to their financial statement balances. In addition, several outstanding checks were noted on the bank reconciliation from prior years.

**Possible asserted effect (cause and effect):**

**Cause:** The entity and fee accountant maintain separate accounting records, which did not coincide with one another.

**Effect:** The entity's internal controls over bank reconciliations are weakened.

**Recommendations to prevent future occurrences:** Management should establish effective controls to ensure that bank reconciliations are prepared timely and that ending bank balances agree to the entity's financial records. Outstanding reconcilable items on the bank reconciliations should be reviewed to ensure existence of the item. Payees should be contacted to determine if a new check should be issued to them. Any payee that can't be contacted and monies are still owed, a new check should be issued to Louisiana unclaimed properties.

**Reference # and title:**            10-F2            Late Submission of Audit Report to Legislative Auditor

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

**Criteria or specific requirement:** 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." The Agency's audit report should be submitted to the Louisiana Legislative Auditor by March 31<sup>st</sup> each year.

**Condition found:** The Agency's audit report for the fiscal year ending September 30, 2010 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i), due to the agency and fee accountant maintaining separate accounting records, which did not coincide with one another.

**North Louisiana Area Health  
Education Center Foundation  
Schedule of Findings and Questioned Costs  
September 30, 2010**

**Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Possible asserted effect (cause and effect):**

**Cause:** The Agency and fee accountant maintain separate accounting records which did not coincide with one another; therefore, the Agency's records were not completed timely.

**Effect:** The Agency did not adhere to the requirements set forth by Louisiana Revised Statute.

**Recommendations to prevent future occurrences:** Management should establish procedures to ensure that all required monthly financial recording is prepared timely in order to conduct the audit within the six month deadline.

**North Louisiana Area Health  
Education Center Foundation  
Schedule of Findings and Questioned Costs  
September 30, 2010**

**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:            10-F3            Internal Controls Over Healthy Start Program**

**Entity-wide of program/department specific:**

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services	93.926	2010

**Criteria or specific requirement:** Proper internal controls over federal programs require that costs are properly allocated to the federal program. In addition, revenues received should be expended on the particular program during the year in which the revenues are received, as well as to ensure the federal program is not building a significant fund balance.

**Condition found:** In testing the Healthy Start program, the following was noted:

In a sample of twenty-six expenditures, it was noted that one disbursement was not properly allocated to the Healthy Start program. The expenditure was not based on the allocation of time the individual spent within the Healthy Start program.

While testing revenues reported by the Agency, it was noted that the Healthy Start program is continuing to build a fund balance. In the current year, program revenues still exceeded the program expenditures, resulting in an increase in deferred revenue for the Healthy Start program.

**Possible asserted effect (cause and effect):**

**Cause:** Effective controls procedures are not in place to ensure expenses are properly allocated and reserves are not being built up on federal programs.

**Effect:** The Agency is not properly charging expenses to the federal program and continuing to accumulate a significant fund balance instead of expending the revenues received during the fiscal year.

**Recommendations to prevent future occurrences:** Management should design effective controls to ensure expenditures charged to the federal program are being allocated based on relevant information. In addition, management should implement procedures to ensure that revenues received during the fiscal year are being spent on the Healthy Start program in that particular year.

**North Louisiana Area Health  
Education Center Foundation  
Schedule of Findings and Questioned Costs  
September 30, 2010**

**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:            10-F4            Reporting Requirements for the Health Start Program**

**Entity-wide or program/department specific:**

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services	93.926	2010

**Criteria or specific requirement:** 24 CFR Part 74.52 states in sum that Federal Cash Transaction reports should be submitted quarterly and the financial information presented should be on an accrual basis of accounting.

**Condition found:** The Agency submitted financial reports to the Department of Health and Human Services, which did not adequately reflect the program's financial statements. The amount reported under cash receipts was a carryover from the prior period reports and the cash disbursements was reported as the amount of federal revenues received during the reporting period rather than the actual cash disbursements for the reporting period.

**Possible asserted effect (cause and effect):**

**Cause:** Effective controls procedures are not in place to ensure that the reporting requirements are completed accurately.

**Effect:** The Agency is submitting reports to the Department of Health and Human Services that are not accurate.

**Recommendations to prevent future occurrences:** Management should implement effective controls to ensure reports submitted to the federal awarding agency are completed accurately and the reports are reviewed to ensure they agree to the financial statements during the reporting period.

**North Louisiana Area Health  
Education Center Foundation**

**OTHER INFORMATION**

**North Louisiana Area Health Education Center Foundation  
Summary Status of Prior Year Audit Findings  
September 30, 2010**

**Reference # and title:**            **09-F1**            **Reporting of Federal Expenditures**

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

**Entity-wide or program/department specific:**

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services Healthy Start Program	93.926	2009

**Condition:** Federal awards require complete and accurate reporting of award expenditures to the awarding agency. In addition allocated salaries and benefits should be accurately charged to the program, federal receipts should be spent on program expenses and the Agency should not build up a significant fund balance in the Healthy Start program.

In testing the Healthy Start Program the following was noted:

The Financial Status Report for 2009 as filed included indirect costs. However, the award letter did not include any indirect costs allowance. Also, the amount reported as capital outlays on the report was the amount of grant revenues drawn down, not the amount of expenditures, in which the Agency collected more in revenue than it spent in the fiscal year. At the end of the fiscal year there was deferred revenue recorded on the balance sheet for excess revenue over expenses for the Healthy Start Program that has been accumulated over the last few years. Additionally, it was noted that benefits charged to this program are not consistent with the Agency's policy. The benefits charged sometimes exceed the Agency's limits and were not prorated to each program based on the salary allocations. Furthermore, it was noted that one disbursement in the sample tested was charged fully to the program when only a portion should have been charged.

Lastly, financial status reports as well as monthly requests are reviewed internally; however, no approval signatures were on the forms.

**Corrective action planned:** See current year corrective action plan 10-F3 and 10-F4.

**North Louisiana Area Health  
Education Center Foundation  
Corrective Action Plan for Current Year Audit Findings and Questioned Costs  
September 30, 2010**

**Reference # and title:**            **10-F1**            **Internal Controls Over Bank Reconciliations**

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

**Condition:** Proper internal controls over bank reconciliations require that they be completed timely, to ensure that unexplained variances between bank and general ledger balances are discovered and resolved quickly. Ending bank reconciliation balances should agree to the entity's financial records. Reconcilable items on the bank reconciliations should be periodically reviewed to determine if the balances are correctly stated on the financial statements.

Through review of the fiscal year ending September 30, 2010 bank reconciliations, it was noted that the entity's ending bank reconciliation balance did not support the ending balance of the entity's general ledger. No reviews were completed to ensure the Agency's bank reconciliations agreed to their financial statement balances. In addition, several outstanding checks were noted on the bank reconciliation from prior years.

**Corrective action planned:** NLAHEC staff and Board of Directors are currently re-evaluating the relationship with the fee accountant. Records, reports and reconciliations were not being received in a timely manner, despite ongoing meetings and conversations. On April 1, 2011 the job description, title and pay grade of the NLAHEC staff Fiscal Director was changed in an effort to attract a more experienced and qualified employee. A new Director of Accounting Services was added to the staff in April, 2011 that meets the qualifications of the expanded job description. We plan to eliminate the need to retain the fee accountant for these services and add an additional part-time accounting staff person to maintain the checks and balances. Bank reconciliations will be done monthly within 5 days of receipt of the bank statement by the Director of Accounting Services and again by the Accounting Administrative Assistant, as well as reviewed by the CEO/Executive Director.

**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 April 1, 2011.

**Reference # and title:**            **10-F2**            **Late Submission of Audit Report to Legislative Auditor**

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

**Condition:** 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." The Agency's audit report should be submitted to the Louisiana Legislative Auditor by March 31<sup>st</sup> each year.

The Agency's audit report for the fiscal year ending September 30, 2010 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i), due to the agency and fee accountant maintaining separate accounting records, which did not coincide with one another.

**Corrective action planned:** The report was late due to our inability to get the bank reconciliations from the fee accountant. NLAHEC staff and Board of Directors are currently re-evaluating the relationship with the fee

**North Louisiana Area Health  
Education Center Foundation  
Corrective Action Plan for Current Year Audit Findings and Questioned Costs  
September 30, 2010**

accountant. Records, reports and reconciliations were not being received in a timely manner, despite ongoing meetings and conversations. On April 1, 2011 the job description, title and pay grade of the NLAHEC staff Fiscal Director was changed in an effort to attract a more experienced and qualified employee. A new Director of Accounting Services was added to the staff in April, 2011 that meets the qualifications of the expanded job description. We plan to eliminate the need to retain the fee accountant for these services and add an additional part-time accounting staff person to maintain the checks and balances. Bank reconciliations will be done monthly within 5 days of receipt of the bank statement by the Director of Accounting Services and again by the Accounting Administrative Assistant, as well as reviewed by the CEO/Executive Director.

**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:** April 1, 2011.

**Reference # and title:**                    **10-F3**                    **Internal Controls Over Healthy Start Program**

**Entity-wide or program/department specific:**

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services	93.926	2010

**Condition:** Proper internal controls over federal programs ensure that costs are properly allocated to the federal program. In addition, revenues received should be expended on the particular program during the year in which the revenues are received, as well as to ensure the federal program is not building a significant fund balance.

In testing the Healthy Start program, the following was noted:

In a sample of twenty-six expenditures, it was noted that one disbursement was not properly allocated to the Healthy Start program. The expenditure was not based on the allocation of time the individual spent within the Healthy Start program.

While testing revenues reported by the Agency, it was noted that the Healthy Start program is continuing to build a fund balance. In the current year, program revenues still exceeded the program expenditures, resulting in an increase in deferred revenue for the Healthy Start program.

**Corrective action planned:** NLAHEC staff has reviewed all expenditures associated with the Healthy start project and found the previous NLAHEC Fiscal Director did not consistently charge all encumbered expenditures to the project. The new accounting staff has developed a system of reviewing and charging all associated expenses to the projects which will eliminate any increase in deferred revenue. Additionally, only funds equivalent to expenses will be drawn down from the Healthy Start account monthly, also eliminating deferred revenue. All disbursements will be posted to the accounting system by the Director of Accounting Services and will be reviewed/checked by both the Accounting Administrative Assistant and the CEO/Executive Director.



**North Louisiana Area Health  
Education Center Foundation  
Corrective Action Plan for Current Year Audit Findings and Questioned Costs  
September 30, 2010**

**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:** April 1, 2011.

**Reference # and title:**            **10-F4**            **Reporting Requirements for the Health Start Program**

**Entity-wide or program/department specific:**

<u>Federal Grantor or Pass Through Grantor/Program Name</u>	<u>CFDA #</u>	<u>Award Year</u>
United States Department of Health and Human Services	93.926	2010

**Condition:** 24 CFR Part 74.52 states in sum that Federal Cash Transaction reports should be submitted quarterly and the financial information presented should be on an accrual basis of accounting.

The Agency submitted financial reports to the Department of Health and Human Services, which did not adequately reflect the program's financial statements. The amount reported under cash receipts was a carryover from the prior period reports and the cash disbursements was reported as the amount of federal revenues received during the reporting period.

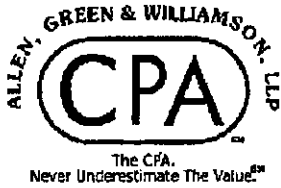
**Corrective action planned:** Unfortunately, the previous NLAHEC Fiscal Director did not understand the federal reporting system and submitted the reports without the review or approval of the CEO/Executive Director. All federal reports will be prepared by the Director of Accounting Services and reviewed by the CEO/Executive Director prior to transmittal. The NLAHEC Director of Accounting Services has consulted grants management and fiscal staff regarding the previous reports and are working to correct the data so NLAHEC reports will be accurate in the future both on our books and in the federal records. We anticipate this collaboration will be completed in the next two weeks.

**Person responsible for corrective action:**

Ms. Susan Moreland, Executive Director  
North Louisiana Area Health Education Center Foundation  
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**Anticipated completion date:** July 24, 2011.



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## 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 Foundation (North La AHEC) for the year ended September 30, 2010, we considered the North La AHEC's internal control to plan our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control.

However, during our audit, we noted a certain matter involving the internal control that is presented for your consideration. This letter does not affect our report dated July 6, 2011, on the basic financial statements of the North La AHEC. We will review the status of this comment during our next audit engagement. Our comment and recommendation, 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 this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Management's response has also been included. We have performed no audit work to verify the content of the response.

### 10-M1                      Internal Controls Over Capital Assets

**Comment:** While performing tests of capital asset additions, it was noted that 4 of the 5 capital assets selected were added to the capital asset listing with the incorrect historical cost.

**Recommendation:** Management should implement procedures to ensure that additions of capital assets are based on actual invoice costs.

**Management's response:** In the future all capital asset costs will be recorded from the invoice of the equipment or item purchased. We do not understand why this was not done in the past but will assure that all costs and serial numbers are recorded accurately. This will be reviewed monthly by the CEO/Executive Director for accuracy effective June, 2011.

\* \* \* \*

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. Our audit procedures are designed primarily to enable us to form opinions on the basic financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the North La AHEC's, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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  
July 6, 2011