

RAPIDES PRIMARY HEALTH CARE CENTER



COMPLIANCE AUDIT
ISSUED MARCH 26, 2008

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 26, 2008

Ms. Patricia Lego-Lewis, CPA
Chief Executive Officer
Rapides Primary Health Care Center
1217 Willow Glen River Road
Alexandria, Louisiana 71302-5454

Dear Ms. Lego-Lewis:

We have audited certain transactions of the Rapides Primary Health Care Center (Center) for the period January 1, 2007, through December 31, 2007. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain allegations concerning the use of a \$325,000 state appropriation received by the Center in 2006.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on the Center's financial statements or system of internal control nor assurance as to compliance with laws and regulations. The concerns and results of our audit are listed below for your consideration.

Background

The Center is a nonprofit corporation that provides comprehensive primary health care to area residents, with particular care for the social-economically disadvantaged. The Center is primarily funded through charges for health care services and federal grants. In 2006, the Louisiana Legislature appropriated \$325,000 for the Center to assist in the provision of health care services for the residents of Rapides Parish. These funds were dispersed to the Center through a contract with the State of Louisiana Department of Health and Hospitals (DHH). According to the contract, the Center proposed to spend the appropriation on a marketing program, computer equipment, eight software packages and/or software upgrades, a 16-passenger van, and new dental equipment.

Louisiana law¹ (public bid law) requires that all purchases of any materials or supplies exceeding the sum of twenty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has met the specifications as advertised. In lieu of the public bid law, the Center could adopt Title 39 (Louisiana Procurement Code) and make purchases from state contracts. During our review of the Center's supporting documentation for the 2006 state appropriation, we noted three purchases totaling \$150,818 in which the Center failed to properly apply the public bid law or adopt the Louisiana Procurement Code. These purchases included:

1. Dental equipment for \$94,565
2. A software package for \$30,514
3. A minivan for \$25,739

Dental Equipment

According to the budget submitted to DHH in July 2006, the Center budgeted \$57,625 to purchase new dental equipment. In August 2006, the Center consulted with a dentist to determine the needs of the clinic. The Center then requested and received quotes from Causey Dental, Patterson Dental, and Sullivan-Schein Dental ranging from \$55,770 to \$133,940. When the Center received its legislative funding in May 2007, it requested updated quotes from Sullivan-Schein and Patterson Dental.

The Center initially chose to use Sullivan-Schein and placed its order on May 29, 2007. The order contained 12 pieces of equipment totaling \$44,800 that were previously quoted and 51 additional items totaling \$44,565 that were never quoted to the Center. Mr. Victor Kirk, the Center's former CEO, stated this was caused by the new dentist and hygienist changing the order to ensure the Center was properly equipped. The Center later canceled the entire order after Sullivan-Schein requested evidence of the Center's ability to pay for the equipment. Ms. Lewis stated that the Center would not do business with a company that would make such a request.

On June 21, 2007, Mr. Kirk chose to purchase equipment from Patterson Dental for \$94,565. Mr. Kirk stated that although this equipment was not properly bid, the prices were reasonable because they were derived from a state contract. Mr. Kirk could not provide documentation of the state contract prices or a board resolution adopting Title 39, which is necessary to use state contracts. He stated that he relied on the vendor to confirm that the Center was receiving properly bid prices. The Patterson Dental

¹ Revised Statute 38§2212.1 states, in part, that "All purchases of any materials or supplies exceeding the sum of twenty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised."

representative stated that institutional pricing was given to the Center; however, he would not have mentioned state contract pricing.

Software

The Center's budget also included a total of \$176,410 for eight software packages and/or software upgrades ranging from \$3,000 to \$67,580. In opinion number 04-0264, the Louisiana Attorney General opined that the purchase of an existing, commercially available software package would be a purchase of materials and supplies and therefore subject to the public bid law. The Attorney General further explained that Louisiana law² authorizes the use of Requests for Proposals (RFP) in the procurement of software. On June 27, 2007, the Center purchased Electronic Medical Records software from Southern Medical Solutions for \$30,514. According to Center personnel, the software was purchased without obtaining quotes. Furthermore, the Center failed to procure the software through an RFP process. Ms. Lewis stated that the Center consulted with a number of area doctors as to which software to use and that MediNotes was chosen because of its compatibility with the software package already in place.

Minivan

According to the budget submitted to the DHH, the Center budgeted \$24,600 to purchase a 16-passenger van to increase access to the clinic by providing transportation for clients. On May 31, 2007, the Center purchased a Chrysler Town and Country seven-passenger minivan from A-K Durnin Chrysler-Jeep for \$25,739. Again, the Center failed to properly follow the public bid law as it only obtained one other quote for a different vehicle. Mr. Kirk stated that the vehicle was purchased from A-K Durnin because the dealership matched the state contract price for the Town and Country minivan; however, the Office of State Purchasing does not have a state contract for a Town and Country minivan.

The Center may have violated the public bid law by failing to follow the requirements of the public bid law in the aforementioned purchases by not advertising these procurements in an official journal, providing specifications to vendors, receiving sealed bids, following the sealed bid opening procedures, or providing a bid opening date.

We recommend that the Center review and follow all requirements of the Public Bid Law or the Louisiana Procurement Code with regard to the spending of state appropriated funds. We also recommend that the Center maintain up-to-date procurement files which thoroughly document its procurement procedures.

² Revised Statute 38§2237 states, in part, that "A political subdivision may lease, rent, or purchase telecommunications or data processing systems, including equipment, and related services, through a request for proposals."

Ms. Patricia Lego-Lewis, CPA
March 26, 2008
Page 4

This correspondence represents our finding and recommendation as well as management's response. This correspondence is intended primarily for the information and use of the Center and its management. I trust this information will assist you in the efficient and effective operations of the Center. Should you have any questions, please contact me at (225) 339-3893 or Mr. Dan Daigle at (225) 339-3808.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

MC:GC:DD:dl

RAPHCC08

Management's Response



Rapides Primary
Health Care Center

1217 Willow Glen River Road, Alexandria, LA 71302-5454

Phone: (318) 487-4400 · Fax (318) 487-0525

March 7, 2008

VIA FACSIMILE (225) 339-3987

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In reference to your drafted report, dated March 3, 2008, attached is our written response and clarification of the sections as written. I have also included copies of supporting documents for the dental equipment and van.

If you have any questions, or comments, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Patricia L. Lewis".

Patricia L. Lewis, CPA, MBA
Chief Executive Officer

GENERAL RESPONSE TO FINDINGS

We concur with recommendations to put in place procedures to ensure that the state bid law and procedures are followed. The following, however, represent corrections or adjustments to statements recorded by the Legislative Auditors.

DENTAL EQUIPMENT

Report of findings:

1. Second paragraph third line:

- a. ...51 additional items totaling \$44,565 that were never quoted to the center. Mr. Victor Kirk, the Center's former CEO, stated this was caused by the new Dentist and Hygienist changing the order....

Response:

Correction required. All dental staff and providers (inclusive of those presenting for a working interview) were requested to review the order in its entirety to ensure that the order was compatible with that available within dental schools of the applicants and contained all equipment required to properly equip the dental section.

2. Second paragraph fifth line:

- a. The Center later cancelled the order after Sullivan-Schein requested evidence of the Center's ability to pay for the equipment.

Response:

Additional information should be included within this section. The Center signed a contract for purchase of dental equipment that contained a stipulation which required a down payment of 10% of the order with the final payment due upon delivery. A subsequent request that the Center sign an authorization that would allow the financial institution holding funds of the organization to report to Sullivan-Schein bank balances was rejected as neither in compliance with the terms of the contract nor supported by usual credit policies of the corporation. Representatives from the Sullivan-Schein corporate office indicated the order would not be filled without the authorization given and demanded that the authorization be signed or the order would not be filled. Cancellation of the order and reimbursement of the deposit was requested by the Center. The Center was informed that cancellation of the order would require a 15% restocking fee. The Center elected to change the order to reflect only the amount of the deposit at which time the corporate office of Sullivan-Schein decided to allow the cancellation of the entire order. The deposit was returned without a processing fee deduction.

3. Second paragraph line seven:
 - a. Ms. Lewis stated that the Center would not do business with a company that would make such a request.

Response:

Correction required. The action of Sullivan-Schein was proper if the sale was a credit sale. However, the transaction was a cash sale and not subject to the constraints imposed.

SOFTWARE

Report of findings:

1. First paragraph line six:
 - a. On June 27, 2007, the Center purchased Electronic Medical Records software from Southern Medical Solutions for \$30,514. ...the software was purchased without obtaining quotes.

Response:

Additional information should be included within this section. The present practice management system is MediSoft. The companion and compatible software from the parent company is called MediNotes. MediNotes is required and unique to electronic medical records software running a base program using MediSoft. We elected not to change the system in its entirety as would be required to bid another practice management system.

2. First paragraph line nine:
 - a. Ms. Lewis consulted with area doctors as to which software to use...

Response:

Correction required: The correct statement was... we consulted with a number of area doctors to determine what medical records software was available or in use by their office.

MINIVAN

Report of findings:

1. First paragraph line five:
 - a. ...they only obtained one other quote for a different vehicle.

Response:

Attached hereto is confirmation of a written bid received from LeGlue Automotive in Alexandria, Louisiana. This quote indicates that the bid price of A-K Durnin Chrysler in Baton Rouge could neither be matched nor offered at a lower price by LeGlue.

LEGLUE AUTOMOTIVE

Leglue Automotive, Inc.
4601 Coliseum Blvd. P.O. Box 7178
Alexandria, Louisiana 71306-0178
Phone: 318-443-7321
Fax: 318-443-0877



C5189 T&C White
28F LX
\$28,890 MSRP
↓
\$23,390 Sales Price

C5198 T&C Blue
29K Touring
\$30,985 MSRP
↓
25,485 Sales Price



Sullivan-Schein Dental
A HENRY SCHEIN COMPANY
135 Duryea Road, Melville, New York 11747
(800) 645-6594

EQUIPMENT ORDER NO. # 20070514142201546

*** Replacement Equipment ***

Sold To: Rapides Primary Health Care Center
Address: 1217 Willow Glen River Road
City: Alexandria **State:** LA **Zip:** 71302-5454
Deliver To: Rapides Primary Health Care Center
Phone: 318-487-4400 **Fax:** 318-487-0525

Date: 5/28/2007 **Acct No:** 101106 **Install Date:**
Field Sales Consultant: Randy Dailey **Number:** **Equipment Specialist:** Chris Bratton **Number:**
Installation Address: 1217 Willow Glen River Road
City: Alexandria **State:** LA **Zip:** 71302-545
Office Phone: 318-487-4400 **Home Phone:**
New Acct: **Existing Acct:**
Sullivan-Schein Dental
660 Distributors Row, Suite D
Jefferson LA 70123
Phone: (504) 734-5420 **Fax:** (504) 734-5421

Qty	Manufacturer	Code Number	Description	Amount	Extension
4	P&C	552-2901	1501 Gray Chr. w/Std. Back <i>-(2- PARE LOUISE</i>	\$4,625.00	\$18,500.00
4	P&C	551-4220	1510 Chair-Mt. Unit- Grey <i>(2- MINT LEAF</i>	\$4,845.00	\$19,380.00
2	P&C	551-3582	Multi-tap Transformr 300w	\$980.00	\$1,960.00
4	P&C	552-3155	LFHIS Light on Crvd Post	\$1,730.00	\$6,920.00
4	PROGEN	606-7249	JB-70,76in. Arm/2- Stud Mtg	\$3,485.00	\$13,940.00
1	DENT-X	263-9165	810 Basic Film Processor	\$3,590.00	\$3,590.00
1	SCICAN	138-8030	Statim 2000 Cas. Autoclave	\$4,115.00	\$4,115.00
5	STAR	808-8586	StarFlex SWL F/O HP	\$570.00	\$2,850.00
5	STAR	808-7501	HiFlo Swivel Fiber Optic	\$170.00	\$850.00
5	STAR	808-7823	Swivel Attachment 4 Line	\$120.00	\$600.00
5	STAR	808-1820	Titan 3 Motor 20000RPM	\$605.00	\$3,025.00
4	STAR	808-7030	Titan 3 Strait Nose Cone	\$375.00	\$1,500.00
2	STAR	808-4128	Titan 3 Torque Multiplier	\$180.00	\$360.00
5	STAR	808-9317	Motor-to-Angle Adaptor	\$175.00	\$875.00
1	P&C	552-1008	Delta 8XL Sterilizer 120v	\$3,795.00	\$3,795.00
1	DNTEQU	167-8871	Cavitron Plus	\$2,280.00	\$2,280.00
1	MORITA	721-0611	Rotary Master Endodontic	\$895.00	\$895.00
1			Clean Water System	\$770.00	\$770.00
4	DENTEZ	639-3605	AXCS Basic Dr's. Stool	\$350.00	\$1,400.00
4	DENTEZ	639-2555	AXCS Basic Asst's. Stool	\$440.00	\$1,760.00

Payment Terms: Minimum 10% deposit to initiate order with balance to be paid on delivery of equipment or _____, whichever occurs first.

Henry Schein Financial Services (HSFS) Cash / Bank Financing

SSN* _____ SSN* _____
DOB _____ Bank Name _____
Credit Card # _____ Bank Officer _____
Expiration _____ Bank Phone _____

THIS ORDER IS SUBJECT TO THE TERMS AND CONDITIONS APPEARING HEREON ON THE REVERSE SIDE HEREOF, AND PURCHASER AGREES TO BE BOUND THEREBY

X *[Signature]* 5/29/07 X *[Signature]* 5-29-07
Purchaser's Signature Date Equipment Specialist Date

Sub Total	\$89,365.00
Other	
Freight	
9.00% Sales Tax	
Total	
Deposit	
Balance Due	
HSFS Estimated Monthly Payment	

Cash Sale

Privileges Member

Prices are in effect until _____

Acceptance by Sullivan-Schein Dental _____

Date _____

* SSN (Required for orders over 5000)

14-May-07

RAPIDES PRIMARY HEALTH CARE CENTER

<u>Supplier</u>	<u>Code Number</u>	<u>Description</u>	<u>Quantity</u>	<u>Amount</u>	<u>Extension</u>
Sullivan-Schein	100-2532	Amalgamator	3	235.95	707.85
Sullivan-Schein	100-1803	Amalgam Well	5	7.95	39.75
Sullivan-Schein	888-2813	Coltex LED Curing Light	2	625.00	1250.00
Sullivan-Schein	888-0714	UC-125 Biosonic Ultrasonic	1	550.00	550.00
Sullivan-Schein	100-1146	Mirror Handles	24	2.10	50.40
Sullivan-Schein	104-9564	Mirrors Size 5 (12 per Box)	2	14.40	28.80
Sullivan-Schein	104-8587	Arkansas Sharpening Stone	1	21.60	21.60
Sullivan-Schein	100-0726	CaOH Instrument	5	5.65	28.25
Sullivan-Schein	100-2019	#34 Elevator	4	13.95	55.80
Sullivan-Schein	100-5084	#46 Elevator	2	13.95	27.90
Sullivan-Schein	100-4888	#9 Molt Elevator	4	15.75	63.00
Sullivan-Schein	100-0628	Needle Holder Baumgartner	1	12.95	12.95
Sullivan-Schein	100-6306	Suture Scissor Littauer	1	7.95	7.95
Sullivan-Schein	367-0218	Ceiling Art	1	84.95	84.95
Sullivan-Schein	367-0263	Ceiling Art	1	84.95	84.95
Sullivan-Schein	367-0226	Ceiling Art	1	84.95	84.95
Sullivan-Schein	367-0330	Ceiling Art	1	84.95	84.95
Sullivan-Schein	367-0390	Ceiling Art	1	84.95	84.95
Sullivan-Schein	323-8801	Hygiene Model	1	36.95	36.95
Sullivan-Schein	120-2707	Barrier Gowns	6	26.95	161.70
Sullivan-Schein	100-8229	Napkin Holders	6	2.25	13.50
Sullivan-Schein	607-0411	Duplicator	1	310.00	310.00
Sullivan-Schein	189-3631	Lead Aprons	1	110.00	110.00
Sullivan-Schein	100-0678	X-ray Snapper Ray (3 Per Box)	2	12.60	25.20
Sullivan-Schein	189-1646	XCP	1	104.50	104.50
Sullivan-Schein	123-0068	Contra Angle	1	470.00	470.00
Sullivan-Schein	114-5154	Touch and Heat	1	748.50	748.50
Sullivan-Schein	101-1514	Locking Pliers	6	14.85	89.10
Sullivan-Schein	100-2349	#23 Forceps (Cowhorn)	3	46.95	140.85
Sullivan-Schein	100-7459	#53L Forceps	3	46.95	140.85
Sullivan-Schein	100-3313	Cotton Pliers	12	3.75	45.00

Total 5665.15