

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
  
OPERATIONS FUND  
FINANCIAL REPORT  
  
YEAR ENDED DECEMBER 31, 2003**

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 8/4/04

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**CAMNETAR & CO., CPAs**  
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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Hospital Service District Number 1 of Plaquemines  
Parish, Louisiana  
Port Sulphur, Louisiana

We have audited the accompanying balance sheet and statement of cash flows of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana, d/b/a Plaquemines Medical Center (the Center), a component unit of the Plaquemines Parish Government as of and for the year ended December 31, 2003 and the related statements of revenues and expenses and fund balance for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and cash flows of the Center as of and for the year ended December 31, 2003, and the results of its operations for the years ended December 31, 2003 and 2002 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 June 21, 2004 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Camnetar & Co.*

Camnetar & Co., CPAs  
A Professional Accounting Corporation

Gretna, Louisiana  
June 21, 2004

**FINANCIAL STATEMENTS**

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
BALANCE SHEET  
December 31, 2003**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 17,476
Ad valorem tax revenue receivable	1,393,015
Patient accounts receivable, net of estimated uncollectibles of \$1,066,973	209,259
Prepaid expenses	12,900
Inventories	<u>92,789</u>
<b>Total current assets</b>	<b>1,725,439</b>

**ASSETS LIMITED AS TO USE**

Ad valorem tax receivable	1,574,574
Cash and Cash equivalents	527,355
Certificates of deposit	250,000
Due from unrestricted assets	<u>293,235</u>
<b>Total assets limited as to use</b>	<b>2,645,164</b>

Property and equipment, net of accumulated depreciation of \$730,099	<u>190,506</u>
<b>Total Assets</b>	<b>\$ <u>4,561,109</u></b>

**LIABILITIES AND FUND BALANCE**

**CURRENT LIABILITIES**

Accounts payable	\$ 71,288
Due to restricted assets	293,235
Accrued expenses	<u>86,875</u>
<b>Total current liabilities</b>	<b><u>451,398</u></b>

Advances from Plaquemines Parish	225,000
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**FUND BALANCE**

Unrestricted - Undesignated	1,243,179
Restricted	<u>2,641,532</u>
<b>Total fund balance</b>	<b><u>3,884,711</u></b>

<b>Total liabilities and fund balance</b>	<b>\$ <u>4,561,109</u></b>
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The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
STATEMENT OF REVENUES AND EXPENSES  
For The Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES</b>		
Net patient service revenue	\$ 885,662	\$ 702,827
Ad valorem tax revenue	1,393,015	1,378,176
WIC program	62,722	63,341
Other operating revenue	<u>55,737</u>	<u>28,946</u>
Total operating revenue	<u>2,397,136</u>	<u>2,173,290</u>
<b>OPERATING EXPENSES</b>		
Salaries and related expenses	938,612	806,063
Professional fees	169,212	253,727
Provision for bad debts	279,127	44,251
Medical supplies	136,730	119,388
Contract labor	420,239	400,760
Travel and seminars	8,909	3,946
Repairs and maintenance	48,440	7,041
Purchased services	260,241	218,930
Depreciation and amortization	48,069	20,063
Utilities and telephone	78,945	12,839
Interest expense	4,348	3,218
Insurance	90,828	71,088
Administrative supplies	94,250	63,560
Rentals	-	4,507
Other	<u>1,356</u>	<u>2,722</u>
Total operating expenses	<u>2,579,306</u>	<u>2,032,103</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(182,170)</b>	<b>141,187</b>
<b>NONOPERATING REVENUE</b>		
Ad valorem tax revenue	1,574,574	1,472,939
Investment income	<u>4,396</u>	<u>6,370</u>
Total nonoperating revenue	<u>1,578,970</u>	<u>1,479,309</u>
<b>EXCESSES OF REVENUE OVER EXPENSES</b>	<b>\$ 1,396,800</b>	<b>\$ 1,620,496</b>

The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
STATEMENT OF CHANGES IN FUND BALANCE  
For The Years Ended December 31, 2003 and 2002**

	<u>Restricted</u>	<u>Unrestricted</u>
<b>Fund Balance January 1, 2002</b>	\$ -0-	\$ 867,415
Excess of revenue over expenses, year ended December 31, 2002	<u>1,472,941</u>	<u>147,555</u>
<b>Fund Balance December 31, 2002</b>	1,472,941	1,014,970
Assets purchases – restrictions released	(204,879)	204,879
Excess of revenue over expenses, year ended December 31, 2003	<u>1,373,470</u>	<u>23,330</u>
<b>Fund Balance December 31, 2003</b>	<u>\$ 2,641,532</u>	<u>\$ 1,243,179</u>

The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Excess of revenues over expenses	\$ 1,396,800
Depreciation and amortization	48,069
Adjustments to reconcile to net cash provided by operating activities	
Increase in ad valorem tax revenue receivable	(122,472)
Increase in net patient accounts receivable	(73,048)
Increase in prepaid expenses	(12,900)
Increase in inventories	(54,220)
Increase in malpractice insurance deposit	(250,000)
Increase in accounts payable and accrued expenses	<u>37,451</u>
Net Cash provided by operating activities	969,680

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Purchase of property and equipment	(191,980)
Principal payments on line of credit	<u>(300,000)</u>
Net cash provided by non-capital financing activities	<u>(491,980)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

477,700

**CASH AND CASH EQUIVALENTS, beginning of year**

67,131

**CASH AND CASH EQUIVALENTS, end of year**

\$ 544,831

The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

Organization – Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Parish Medical Center (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and State income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). Effective July 7, 1998, Plaquemines Parish Home Health Agency, a component of the Center, ceased operations.

Reporting Entity – As the governing authority of the Parish, Plaquemines Parish Government is the financial reporting entity for Plaquemines Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity are financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the council to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority but are fiscally dependent on the council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

Because the parish government appoints all of the members of the Center's governing board and has the ability to impose its will on the Center, the Center is a component unit of the Plaquemines Parish Government. The basic financial statements present information only on the funds maintained by the Center and do not present information on the parish government, the general government services provided by that government, or the other governmental units that comprise the financial reporting entity.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
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d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Basis of Accounting – The Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

Accounting Standards – Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates – The preparation of financial statements in conformity with GAAP 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Center is a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

Cash and Cash Equivalents – Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with maturities of three months or less, including amounts whose use is limited by board designation.

Assets Limited As To Use – Assets whose use is limited include funds derived from a 3 mil property tax levied in 2002, the use of which is restricted for use as further discussed in Note 4 below.

Inventories – Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment – Property and equipment is recorded on the Balance Sheet at its historical costs if purchased or its fair market value if donated. Depreciation is charged to expense each year using the straight-line method of depreciation over the assets useful life. The estimated useful lives of the principal classes of assets are as follows.

<u>Classification</u>	
Machinery and Equipment	5 – 10 years

Paid Time Off – Employees earn paid time off at various rates depending on their term of employment. The cost associated with this employee benefit is reported as a liability on the Center's Balance Sheet at December 31, 2003.

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Charity Care – The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At December 31, 2003, the Center has cash equivalents (book balances) totaling \$544,831 as follows:

Demand Deposits	\$ (31,420)
Money Market Accounts	<u>576,251</u>
Total	<u>\$ 544,831</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times, equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Restricted cash includes balances for bond indebtedness and escrow accounts.

At December 31, 2003, the Center had \$619,399 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,435,179 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 1).

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment in December 2003 is summarized as follows:

Equipment purchased pre 2002	\$728,625
Equipment purchased 2002 millage	<u>191,980</u>
Total equipment purchases at cost	\$920,605
Accumulated depreciation	<u>730,099</u>
Property and equipment, net of accumulated depreciation	<u>\$190,506</u>

Depreciation expense charged to income was \$48,069 in 2003 and \$20,063 in 2002.

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 4 – RESTRICTED FUND BALANCE**

The temporarily restricted fund balance at December 31, 2003 represents the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable in the amount of \$2,101,929 levied for the specific purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations.

As discussed in Note 7 the Center has \$250,000 of certificates of deposit pledged to the Louisiana Patient Compensation Fund to satisfy any malpractice claims.

During 2003 the restricted funds advanced the unrestricted funds of the Center \$292,810 to continue operations. The advance was repaid in 2004.

**NOTE 5 – EMPLOYEE RETIREMENT**

Plan Description – Substantially all employees of the Center are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the Center are members of Plan A.

All permanent employees working at least 28 hours per week who are paid from funds of the Center are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental-plan-only before January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
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d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 5 – EMPLOYEE RETIREMENT (Continued)**

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619 or by calling (225) 928-1361.

Funding Policy – Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary, and the Center is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Parish are established and may be amended by state statute. As provide by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Total payroll, covered payroll, employee contributions and Center contributions for the years ended December 31 2003 and 2002 were:

	<u>2003</u>	<u>2002</u>
Total payroll	\$ 832,453	\$ 725,620
Covered payroll	\$ 676,408	\$ 461,574
Employee contributions	\$ 64,259	\$ 43,747
Center contributions	\$ 52,422	\$ 26,993

**NOTE 6 – AD VALOREM TAX REVENUES**

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.64 mills for 2003 and 2002. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year. Taxes are reported as revenues in the period for which they are levied.

In November 2002 the voters of Plaquemines Parish voted to allow the Hospital Service District to levy up to 3.00 mills on all property subject to taxation in the District to be used for the purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage is set to expire in 2012.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Plaquemines Parish periodically advances funds to the Center to fund operating deficits and certain equipment additions. Amounts advanced are based primarily on the Center's budgeted deficit for the year. The Center owed the Parish \$225,000 at December 31, 2003.

The Center's building and land as well as certain building improvements were built and purchased with funds provided by Plaquemines Parish, ownership of the land and building that house the Center is currently under review. (The Center has use of the facility without the payment of rent.) Through approximately June 2003 virtually all utilities expenses of the Center were paid by the Parish. The land and building is not presented in these financial statements but carried in the Plaquemines Parish General Fixed Asset Account Group.

**NOTE 8 – MALPRACTICE INSURANCE**

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Center has pledged \$250,000 in certificates of deposit to the Louisiana Patient Compensation Fund in order to cover any claims up to the \$100,000 deductible. All interest earned on the certificates remains with the Center.

**NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS**

Cobra Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Center provides health care benefits to eligible former employees and eligible dependents. There are certain requirements outlined by the federal government for this coverage. *The premium is paid in full by the insured on or before the first day of the month for the actual month covered.* This program is offered for a duration of 18 months after the termination date. There is no associated cost to the Center under this program. There is one participant in the program as of December 31, 2003.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
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d/b/a  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2003**

**NOTE 10 – BUSINESS AND CREDIT CONCENTRATIONS**

The Center grants credit to patients, substantially all of who are local residents. The Center generally does not require collateral or other security extending credit to patients; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

The Center had receivables net of contractual provisions of \$1,276,232 due from patients and their insurance providers. An allowance of \$1,066,973 has been made to cover the estimated uncollectible portion of these accounts.

**NOTE 11 – AMOUNTS PAID TO GOVERNING BOARD MEMBERS**

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during the years ended December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Cordelia Cappiello	\$ 120	\$ 200
Nathan Harvey	-	160
Anna Kennair	40	-
Bernadetta Walla	40	-
Paul Broussard	120	240
Herman Ballay	80	240
Leslie Chauvin	40	-
Nancy Lahay	40	120
Marcella Flanagan	80	200
Mary Ann Braud	120	160
Donnie Boutwell	40	120
Norma Smith	<u>80</u>	<u>120</u>
	<u>\$ 800</u>	<u>\$ 1,560</u>

**COMPLIANCE AND INTERNAL CONTROL SECTION**

**CAMNETAR & CO., CPAs**  
A Professional Accounting Corporation  
94 Westbank Expressway, Suite B, Gretna, LA 70053  
(504) 362-2544 Fax (504) 362-2663

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

To the Board of Commissioners  
Hospital Service District Number 1 of Plaquemines Parish, Louisiana

We have audited the financial statements of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Parish Medical Center as of and for the two years ended December 31, 2003, and have issued our report thereon dated June 21, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Parish Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Parish Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the operations fund financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Parish Medical Center, in a separate letter dated June 21, 2004.

This report is intended solely for the information and use of the Board of Commissioners of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Parish Medical Center's management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Camnetar & Co.*

Camnetar & Co., CPAs  
A Professional Accounting Corporation

Gretna, Louisiana  
June 21, 2004

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Two Years Ended December 31, 2003**

We have audited the financial statements of the Hospital Service District Number 1 of Plaquemines Parish d/b/a Plaquemines Parish Medical Center as of and for the two years ended December 31, 2003 and have issued our report thereon dated June 21, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2003 resulted in an unqualified opinion.

**Section I – Summary of Auditor’s Reports**

**Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses  Yes  No      Reportable Conditions  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

**Federal Awards**

None

**Section II – Financial Statement Findings**

**A. Issues of Non Compliance**

None

**B. Reportable Conditions**

None

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
SCHEDULE OF PRIOR YEAR FINDINGS  
For The Two Years Ended December 31, 2003**

**Section I – Internal Control and Compliance Material to the Financial Statements**

2001-1 – Accounts Receivable Reconciliations – Recommendation to reconcile on a monthly basis the accounts receivable sub-ledgers to the accounts receivable general ledger control account. (Resolved)

**Section II – Management Letter**

2001-2 – Independent Contractor Classifications – Recommendation to use the Internal Revenue Service's 20 criteria to evaluate the appropriate classification of independent contractors and employees. (Resolved)

2001-3 – Payroll Tax Withholding – Recommendation to review employee's withholding status for proper withholding and to take any corrective action. (Resolved)

2001-4 – Cash Management – Recommendation to investigate other investment options, which generate a higher yield and still remain in compliance with Louisiana Revenue Statutes. (Resolved)

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PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES PARISH MEDICAL CENTER  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
For The Year Ended December 31, 2003**

**Section I – Internal Control and Compliance Material to the Financial Statements**

None

**Section II – Management Letter**

2003-1 – Purchasing Policy Recommendation to develop a comprehensive purchasing policy separate from the accounts payable function.

Management's Response:

Management intends to hire a consultant to assist in the implementation of a comprehensive purchasing policy.

2003-2 – Accounts Receivable Recommendation to identify causes of excessive write offs.

Management's Response:

Management has implemented more stringent requirements for collections of co-payments and is considering in-house billing.

2003-3 – Contracts Recommendation to have written contracts for services.

Management's Response:

Management agrees and will seek the advise of its legal counsel.

2003-4 – Public Bid Law Recommendation for Center personnel to seek training on Public Bid Laws relative to Hospital Districts.

Management's Response:

Management agrees and will seek the necessary training.

2003-5 – Millage Funds Recommendation to seek a legal opinion on the 2002 Millage Proposition

Management's Response:

Management agrees and will seek guidance from its board regarding a legal interpretation.

**PLAQUEMINES MEDICAL CENTER  
(HOSPITAL SERVICE DISTRICT No. 1  
OF PLAQUEMINES PARISH)**

**MANAGEMENT ADVISORY COMMENTS**

**DECEMBER 31, 2003**

**CAMNETAR & CO., CPAs**  
A Professional Accounting Corporation  
94 Westbank Expressway, Suite B, Gretna, LA 70053  
(504) 362-2544 Fax (504) 362-2663

Board of Commissioners  
Hospital Service District Number 1 of Plaquemines Parish

As part of our examination of the financial statements of the Hospital Service District Number 1 of Plaquemines Parish as of December 31, 2003 and for the two years then ended, we reviewed the system of internal control, administrative procedures and financial procedures of the Center. Our review did not include a detailed examination of all transactions, such as would be necessary to disclose any defalcations or irregularities that may have occurred. However, our engagement did include such tests of the Center's system and procedures to the extent we considered necessary to make an evaluation as required by generally accepted auditing standards and the Louisiana Municipal Audit and Accounting Guide.

As a result of our review, we noted certain areas in the Center's system and procedures where we believe improvements could be made. This memorandum summarizes our comments and suggestions.

We will be pleased to discuss them with you and provide assistance in their implementation.

*Camnetar & Co.*

CAMNETAR & CO., CPAs  
A Professional Accounting Corporation

Gretna, LA  
June 21, 2004

The accompanying advisory comments reflect observations made during the course of this year's audit. These observations are not intended as an evaluation of the performance of any of the Center's personnel.

We would be glad to review these findings with any member of the Center's administration or governing body should further discussion be deemed necessary.

### **COMMENTS AND SUGGESTIONS**

2003-1 - Purchasing Policy – At present the Medical Center does not have a well defined documented purchasing policy for the procurement of goods and services. We believe it is important that a system be developed that should include as a minimum the use of pre-numbered controlled purchase orders and the approval of purchase orders by a responsible individual separate from the accounts payable function. The system should also include dollar value thresholds at which multiple telephone bids would be required.

2003-2 – Accounts Receivable – During the course of our engagement we noticed that rather large amounts of accounts receivable (\$279,000 in 2003) were written off as bad debts. This write off represents over 30% of net patient fee revenue for the year. We believe the cause for such write offs should be identified and immediate steps be taken to find a solution to this problem.

2003-3 – Contracts - The Medical Center has contracted services with several entities to provide medical services to the Center's patients. We could not locate any written contracts with these providers that had not expired. We feel it is imperative that written contracts be in place to document the understanding of the parties, particularly in the areas of services to be provided, compensation, method and timing of payments, insurance issues, cancellations provisions and other rights and obligations of the parties.

2003-4 – Public Bid Law – In discussion with responsible personnel we are of the opinion that there is not a clear understanding of the State Public Bid Law as it applies to Hospitals. We would suggest that formal training be sought to insure that Medical Center personnel fully understand all aspects of the law as it applies to Hospital Districts.

2003-5 – Millage Funds – In our opinion the language of the 2002 Millage Proposition is extremely vague as to what expenditures the millage funds can be used for. Our discussion with Medical Center personnel leaves us of the opinion that they too are confused as to what expenditures are allowed or not allowed to be paid with millage funds. We believe that a legal opinion should be requested, possibly from the Louisiana Attorney General's office, to clarify the language in the proposition.



June 25, 2004

Mr. Steve Theriot, CPA  
Legislative Auditor  
State of Louisiana  
P O Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The following outlines the action to be taken by the Plaquemines Medical Center (Hospital Service District No. 1 of Plaquemines Parish) regarding the "Schedule of Findings and Questioned Cost" addressed to you by our auditor, Camnetar & Co., CPAs (APAC), in their report dated June 21, 2004.

#### **MANAGEMENT COMMENTS**

##### **2003-1 – Purchasing Policy**

I agree with the finding and will request our board to allow me to hire a consultant to assist me in the implementation of a comprehensive purchasing policy as suggested.

##### **2003-2 – Accounts Receivable**

We are in the process of reviewing the effectiveness of our billing agency and are considering the possibility of in-house billing. We have implemented more stringent requirements for the collection of patient co-payments since my hiring in December 2003.

##### **2003-3 – Contracts**

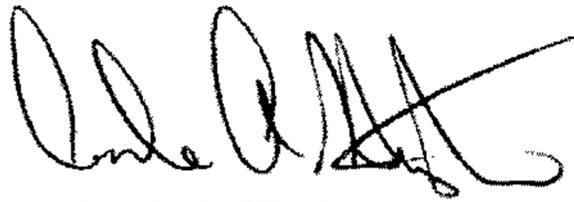
I will bring this issue to the attention of our board and the District Attorney's office (our legal counsel) and strongly suggest we take immediate steps to have written contracts in place.

##### **2003-4 – Public Bid Law**

I will look into the availability of seminars on the Public Bid Law. If none are available, we will seek a consultant to provide in-house training on the subject.

2003-5-Millage Funds

I agree with this finding and will seek guidance from our board regarding a legal interpretation.

A handwritten signature in black ink, appearing to read 'Carole A. Hingle', with a long horizontal flourish extending to the right.

Carole A. Hingle  
Administrator