



FISCAL REVIEW COMMITTEE

MINUTES

September 25, 2014
1:30 p.m.
House Committee Room 2
State Capitol Building

I. CALL TO ORDER

Mr. Daryl Purpera, Chairman of the Fiscal Review Committee (FRC), called the meeting to order at 1:36 p.m. and a quorum was present with the following members in attendance:

MEMBERS PRESENT:

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor (LLA)

Mr. Ron Henson, First Assistant State Treasurer
Designee for The Honorable John Kennedy, State Treasurer

Mr. Rick McGimsey, Assistant Attorney General
Designee for The Honorable James "Buddy" Caldwell, Attorney General

II. APPROVAL OF MINUTES

Mr. Henson made a motion to approve the minutes of the March 26, 2014, meeting. Mr. McGimsey seconded the motion, and with no objections, the minutes were approved.

III. MADISON PARISH HOSPITAL SERVICE DISTRICT

Mr. Purpera asked Dr. Ted Topolewski, Executive Director for Madison Parish Hospital Service District (MPHSD) for the current financial status. Dr. Topolewski provided highlights from when he started in April 2014. He said that the bond approved by the State Bond Commission was to stay in current mode but is concerned about the future obligations and possible repayment to CMS. Dr. Topolewski stated his experience with hospital turnarounds and the benefit of having a fiscal administrator appointed to negotiate the payment plan with CMS. If CMS demands full payback of the \$2.2 million in over charged Medicaid billings, MPHSD could not pay it all back at once. He hopes that a five to seven year payment plan with interest would be approximately \$48,000 per month. He elaborated on the commissioned study and the errors in the claims that MPHSD could have to pay back.

Mr. Purpera asked Mr. Topolewski about his testimony to the State Bond Commission that MPHSD could not afford to make payments of \$80,000 a month. Mr. Topolewski said if CMS requires payback of \$10M - \$12M, the hospital would have to close. He further explained about the Recovery Audit Contractors.

Mr. Henson asked if the accounting processes are still in chaos and disarray and if steps have been taken to correct it. Mr. Topolewski responded that medical records have been corrected and hired a Chief Financial Officer the previous week. As an accountant, the books are not satisfactory to him, but getting better and cash

is accounted for and vendors are paid. Mr. Henson asked what is impeding the accuracy and auditability of the records. Mr. Topolewski explained that the major issue is personnel because only had a bookkeeper when he started in April, but they have controls in place now. Mr. Henson asked if he is getting the full cooperation from the MPHSD Board. Mr. Topolewski stated that it has been a rocky road with changes to a new chairman plus he has been somewhat impeded to do some duties.

Mr. McGimsey asked if the \$2.2M overpayment owed to CMS were demanded all today, would it close the hospital and could it be beneficial to the hospital to have a fiscal administrator. Mr. Topolewski responded that if the state gets involved in negotiating with CMS it will show how seriously the hospital is needed. Also CMS has historically been more forgiving of part of the debt and allows payment plans when state involvement to monitor and report back to CMS.

Mr. Purpera pointed out that MPHSD had received disclaimers in two previous audits and the current audit was due June 30, 2014, so technically not in compliance with the audit law. His office has been monitoring MPHSD for two years and seen some improvement except in finances.

Mr. Adell Williams, MPHSD Board Chairman, said that he hears complaints from staff and the board feels they do not have much input. He does not understand how after two years they do not have a qualified person in charge of the hospital. Mr. Purpera asked if the board is receiving monthly financial statements. Mr. Williams said he was new to the board after all the financial turmoil a few years ago. He feels the board is not kept abreast of the current financial situation and should have been more informed.

Mr. Purpera asked if the hospital had to close because unable to make payments to CMS if it would be detrimental to the community. Mr. Williams agreed and further explained that the board has been receiving financial statements and Mr. Topolewski has made presentations but not in plain language that the board members can understand. Mr. Williams said a news article was the best explanation and included notification about the Bond Commission meeting.

Mr. Topolewski said that he explained extensively many times in executive session the hospital's situation. He told the board clearly that if the financial situation is not rectified, the hospital could be closed. This is the tenth hospital he has worked at in the past 20 years and knows that board communication is important. He respectfully took exception to Mr. Williams' comments because he explained in common terms why the bond was needed. Mr. Williams said the information is beyond the board's comprehension to understand.

Mr. Purpera asked why the previous CEO left. Mr. Williams said the board could not get cooperation or information from Mr. Barilleaux, and thought he did not want the board to know the problems. Mr. Purpera commented that Mr. Barilleaux explained to this committee several times the situation at MPHSD.

Mr. McGimsey stated that MPHSD is in immediate financial crisis and CMS could call for the \$2.2 million to be repaid at any time. He made the motion to appoint a fiscal administrator for MPHSD. Mr. Henson seconded the motion to appoint a fiscal administrator.

Mr. McGimsey said that the Attorney General's office would explain to the board members that a third party would be brought in to manage the hospital and assist in the negotiating of claims with CMS. Mr. Williams said he heard that the board would be absolved. Mr. McGimsey explained that the board will stay in place, but the fiscal administrator's authority and powers supersede the board.

Mr. Purpera agreed with the motion and asked the Attorney General's office to file a motion with the court to appoint a fiscal administrator.

IV. UPDATE FROM FISCAL ADMINISTRATORS

a. Town of Gibsland

Mr. David Greer, court appointed Fiscal Administrator for the Town of Gibsland, provided a detailed update on the Town's financial situation and his exit strategy. Mr. McGimsey asked to be notified when Mr. Greer was ready for the necessary court filings for relieve of his position.

b. Town of Jonesboro

Mr. Ken Folden, court appointed Fiscal Administrator for the Town of Jonesboro, provided a detailed update on the Town's financial situation and issues dealing with the Town's council members. Mr. Henson encouraged Mr. Folden to help the new mayor once elected to make a smooth transition.

c. Town of Richwood

Mr. Jonald Walker, court appointed Fiscal Administrator for the Town of Richwood, provided a detailed update on the Town's financial situation and similar issues dealing with the Town's council members. Mr. McGimsey said Mr. Walker may have to file in court for his recommendations to be accepted when the council will not support increasing sewer rates. The council members are only increasing the cost and time for fiscal administration when they impede progress. In the future, may need a meeting between the mayor, council and city attorney so they all better understand the legal requirements and authority of fiscal administrators.

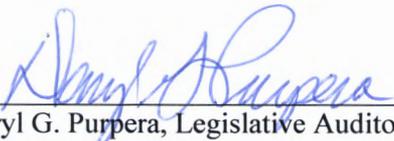
V. OTHER BUSINESS

Ms. Joy Irwin, LLA Director of Local Government Services, had a list of entities that have going concerns and being monitored by her staff.

VI. ADJOURNMENT

Mr. McGimsey made a motion to adjourn, and with no objection the meeting of the Fiscal Review Committee adjourned at 3:12 p.m.

Respectfully submitted,



Daryl G. Purpera, Legislative Auditor
Chairman



Date