



FISCAL REVIEW COMMITTEE

MINUTES

March 26, 2014

8:30 a.m.

Senate Committee Room C
State Capitol Building

I. CALL TO ORDER

Mr. Daryl Purpera, Chairman of the Fiscal Review Committee (FRC), called the meeting to order at 8:30 a.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. McGimsey motioned that the minutes of the August 15, 2013, meeting be approved. Mr. Henson seconded the motion, and with no objections, the minutes were approved.

III. MADISON PARISH HOSPITAL SERVICE DISTRICT

Mr. Mike Cragin, LLA Advisory Services Senior Advisor, presented a brief background on the Madison Parish Hospital Service District (the District) since 2012 and the challenges that face the District. The District's audit for Fiscal Year Ended December 31, 2012, had 36 findings and received their second consecutive disclaimer. He presented their cash flow issues, lack of in-house expertise in accounting, and other key issues facing the District.

Mr. Thomas Williams, District Chairman of the Board, expressed his appreciation for all the assistance received from the LLA and Attorney General's office. He said after the joint meeting with the Madison Parish Police Jury, they are now aware of the problems and stand ready to help the board and District.

Mr. Scott Barrilleaux, Chief Executive Office of the District, explained the cash flow projection provided by Mr. Bobby Miller, CPA from the auditing firm Lester, Miller & Wells, CPA's. He pointed out the possible pay back to the federal government of \$2,250,000 in June. Once an overpayment has been identified, it must be paid back in 60 days. Otherwise, the federal government stops reimbursement to the District until made whole. Before sitting down with OIG or CMS to discuss this and barring any type of repayment plan is able to be negotiated, it is possible to be required to pay back all in full.

Mr. Purpera asked what would be the impact to the District if it had to pay back the overpayment in full. Mr. Barrilleaux said it would be devastating if the federal government did not allow a payment plan, but they generally they will allow payment plans but charge interest of 10-12%. Mr. Barrilleaux further discussed the financial situation of the District, and the many challenges facing the District including the information technology

infrastructure upgrades. Mr. Barrilleaux said they were awarded a grant to have their clinical processes, transition care reviewed by Stroudwater Associates.

Mr. McGimsey said that the police jury owns the hospital and Mr. Barrilleaux runs the hospital and the board is in the middle. Since the repayment issue is not determined yet, he asked what are the financial and management challenges in running the hospital. Mr. Barrilleaux answered that the challenges include the accounts receivables and the lack of financial leadership at the District and not having a good revenue cycle process. Mr. McGimsey asked if the report from Stroudwater would provide direction on how to resolve those issues. Mr. Barrilleaux said it does, but need the time and support to implement the recommendations. The presentation to the board has not been done yet, but all the board members have copies of the report. They discussed the accounts receivable issues. Mr. Barrilleaux said the District needs good leadership and to support the leadership put in place.

Mr. McGimsey commented on the meeting with the police jury and the two members of the board who were present, and asked about the conflict problems. Mr. Williams said he spoke with the three members who did not attend about their distrust and discouragement. He explained about the rumors and gossip that is impeding the progress. They are trying to get the trained and qualified staff, and to follow the policy handbook. The media has blown issues out of context, such as their board meeting agenda being adopted and following Roberts Rule of Orders. Mr. Williams said before meetings he must explain every issue and the ramifications surrounding the legality of it from a legal standpoint. He said Mr. Barrilleaux has total authority to hire or fire, suspend, etc. in his contract and in revised statute. Some board members think they have more authority than they really do. He believes they have worked out the problems.

Mr. McGimsey expressed his disappointment that they did not have the participation hoped for in the meeting when trying to save the District. He thanked Mr. Barrilleaux for his hard work in paying back the loan authorized by the Bond Commission. Mr. Williams said the board may recommend use the ad volorem and sales taxes as collateral to create a dedicated fund for repayment. Mr. McGimsey suggested asking the professionals hired to help them in deciding the best course of action.

Mr. Henson asked if the District has a Chief Financial Officer (CFO). Mr. Barrilleaux said he has three candidates that he is screening to hire. Mr. Henson asked if they are using a third party collection agency for handling the accounts receivable. Mr. Barrilleaux said in the clinical report, it pointed out the problem with classification of patients for the claims filed. He explained the steps taken to improve their collections and computer systems. Mr. Henson suggested when they issue a RFP for computer systems to include provision of necessary training services. Appreciate that the cost for the software will be reimbursed but the cash flow issue is legitimate.

Mr. Barrilleaux said the hospital is largely cost based reimbursed so the \$2 million from tax proceeds should be lagniappe for the hospital. The sad story is that this hospital should be cash rich. Mr. Henson suggested the new CFO be a good negotiator for handling the payback issues. He assumed they could ask for a budgetary loan again since they have paid it back so well. Mr. Henson said he appreciated all that Mr. Barrilleaux has done, and they can work their way out with the commitment of the board and staff. Mr. Barrilleaux said he needs the support of the board.

Mr. Purpera asked how much the hospital would need to borrow. Mr. Barrilleaux said \$3.5 million would be needed based on the present financial situation. Mr. Purpera asked what their progress has been on correcting the 30+ findings from the 2012 audit report. Mr. Barrilleaux said they are getting better and wish they could be faster, but making headway. They have the framework system update for Charge Master but it is not integrated with their system because they did not buy the interface, so manually having to handle that.

Mr. McGimsey said they appreciated the update and the situation will have to be watched very closely for the next few months. At this time, the committee would like to watch and see how the repayment of the overpayment and progress on other challenges are made. The committee will stand by to meet again on short notice should the hospital's cash flow does not work out and cannot meet debts as they become due. Then the committee will take whatever action is necessary to make that correction.

Mr. Purpera said this committee has a hard charge because the law gives them a responsible authority for when they see an entity not able to pay its future debts, we must determine if a fiscal administrator is necessary. The cash flow statement shows the inability to pay debts and nonrecurring obligations. He is looking for the board to hold meetings that the public can attend and that it is addressing the issues.

Mr. Williams said he told the police jury that if a new board would be necessary, to do so. But the community has made this political and already believes the hospital will fail. He knows the hospital is crucial to attracting industry and for the safety of the citizens.

Mr. Purpera said it will take all working together and asked them to keep him up to date. He asked to be informed when the Stroudwater report is made public, which may give some indication of where the hospital is heading in the future. He also requested an update on their search for a new CFO, and thanked them for coming to the meeting.

IV. UPDATE ON FISCAL ADMINISTRATORS

Mr. Purpera pointed out the reports from the fiscal administrators for the Town of Jonesboro, Town of Gibsland and Town of Richwood. He said all have seen improvements and positive light on those entities. They will continue to monitor the fiscal administrators but no action is needed at this time.

V. ADMINISTRATIVE ISSUES

Mr. Purpera provided a background of entities placed on fiscal review by this committee years before. Ms. Joy Irwin, Director of Local Government Services, said it is the responsibility of this committee to monitor local governments and determine when necessary to be administered by a fiscal agent. Her staff is monitoring local governments in the hope to try to prevent some of the issues seen today, and hope to improve controls and compliance issues in local government to ensure good stewardship of public funds. She provided historical background since 2005, and explained the provided list of agencies of concern that has been watched by her staff. Ms. Irwin said if any of the listed agencies come before the Bond Commission, it is reported in the analysis sheet. Over the past 10 years they have seen evidence of improvement for the 22 listed agencies; therefore, she recommended to the committee that they approve these be inactivated from monitoring. Ms. Irwin also had a list of 18 agencies which will need continued monitoring. She said at the next Fiscal Review Committee meeting a new list of troubled agencies would be provided, but for now only wanted to clean up the current list of entities being monitored. Mr. Henson made a motion to adopt the report as presented with agencies recommended for inactivation as well as agencies for continued monitoring. Mr. McGimsey seconded the motion, so with no objection, the motion carried.

VI. OTHER BUSINESS

No other business to discuss.

VII. ADJOURNMENT

Mr. Henson made a motion to adjourn, and with no objection the meeting of the Fiscal Review Committee adjourned at 9:29 a.m.

Respectfully submitted,



Daryl G. Purpera, Legislative Auditor
Chairman

9-30-2014

Date