

RECEIVED
LEGISLATIVE AUDITOR

DEC 27 2010-39

RAYON COUNCIL ON ALCOHOLISM, INC.
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
AND REPORTS ON INTERNAL CONTROL
AND OTHER COMPLIANCE REPORTS
JUNE 30, 2012

1. Financial Statements and Auditor's Report	5
Independent Auditor's Report on the Basic Financial Statements	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
2. Report on Internal Accounting Controls and Management Letter Comments	14
Management Letter Comments-Arrow suggested for improving accounting controls	16
3. Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards	18
4. Schedule of Prior Year Findings	21
5. Schedule of Findings and Questioned Costs Summary	23
6. Schedule of Findings and Questioned Costs	24
7. Corrective Action Plan	29

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 12/11/12

BAYOU COUNCIL ON ALCOHOLISM, INC.

JUNE 30, 2002

FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

Joseph P. Kotwe

Certified Public Accountant

(a Professional Corporation)

2028 East Bayou Road, Suite 200, Suite Two • Thibodaux, Louisiana 70081 • (504) 441-5676 • fax (504) 441-5676

INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS

To the Executive Committee of
Bayou Council on Alcoholism, Inc.

I have audited the accompanying statement of financial position of Bayou Council on Alcoholism, Inc. (a non-profit organization) doing business as Bayou Council on Alcoholism and Drug Abuse, as of June 30, 2002, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayou Council on Alcoholism, Inc. as of June 30, 2002, and the changes in its net assets and functional expenses 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, I have also issued a report dated December 13, 2002, on my consideration of Bayou Council on Alcoholism, Inc.'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 Governmental Auditing Standards and should be read in conjunction with the report in considering the results of our audit.

Thibodaux, LA
December 13, 2002

Joseph P. Kotwe, C.P.A.
(A Professional Corporation)

BAYOU CORPCE. ON ALCOHOLISM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

ASSETS

Current Assets:	
Cash	\$ 3,831
Grants receivable (Note D)	9,404
Prepaid items	<u>1,210</u>
Total current assets	<u>\$ 13,647</u>
Fixed Assets:	
Land	\$ 33,600
Equipment at cost or donated value less accumulated depreciation of \$79,488 (Note H)	<u>7,671</u>
Total fixed assets	<u>\$ 49,071</u>
Other Assets:	
Program workbooks & materials	<u>13,702</u>
TOTAL ASSETS	<u>\$ 66,430</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Notes payable (Note F)	\$ 4,739
Accounts payable	9,359
Payroll Taxes Payable	3,729
Unearned income (Note G)	3,059
Accrued interest	<u>4</u>
Total Current Liabilities/Total Liabilities	<u>\$ 13,912</u>
Net Assets:	
Unrestricted net assets	<u>\$ 49,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,430</u>

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENTS.)

DAYOU COUNCIL ON ALCOHOLISM INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support (Note E)				
Cash from governmental agencies	\$ 164,402	\$ -	\$ -	\$ 164,402
United Way grant	-	62,492	-	62,492
Donated facilities	2,128	-	-	2,128
Other contributions	<u>7,204</u>	<u>-</u>	<u>-</u>	<u>7,204</u>
Total support	\$ 173,734	\$ 62,492	\$ -	\$ 236,226
Revenue:				
Alcohol Information School	\$ 52,258	\$ -	\$ -	\$ 52,258
Microbarroom	<u>268</u>	<u>-</u>	<u>-</u>	<u>268</u>
Total revenue	\$ 52,526	\$ -	\$ -	\$ 52,526
Net assets released from restrictions; satisfaction of wage restrictions	<u>\$ 62,492</u>	<u>\$ (62,492)</u>	<u>\$ -</u>	<u>\$ -</u>
Total support and revenue	\$ 236,749	\$ -	\$ -	\$ 236,749
EXPENSES:				
Program services:				
Community Awareness	\$ 76,381	\$ -	\$ -	\$ 76,381
Families in Focus	87,776	-	-	87,776
High Risk Youth	24,822	-	-	24,822
Preventing Education	60,630	-	-	60,630
Alcohol Information School	<u>24,528</u>	<u>-</u>	<u>-</u>	<u>24,528</u>
Total program services	\$ 263,913	\$ -	\$ -	\$ 263,913
Management and general	<u>21,524</u>	<u>-</u>	<u>-</u>	<u>21,524</u>
Total expenses	\$ 285,437	\$ -	\$ -	\$ 285,437
Changes in net assets	\$ (21,700)		\$ -	\$ (21,700)
Net assets, beginning of year	<u>\$ 82,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,208</u>
Net assets, end of year	<u>\$ 44,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,608</u>

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.)

BOYU COUNCIL ON ALCOHOLISM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2000

	COMMUNITY ADVERTISING	FAMILIES IN FOCUS	HIGH RISK YOUTH	PARENTING EDUCATION	AGE	TOTAL PROGRAMS	GENERAL AND ADMIN.	TOTAL EXPENSES
SALARIES	16,178	55,885	18,790	84,492	25,880	199,324	1,704	446,089
EMPLOYEE INSURANCE BENEFITS	5,964	5,873	966	3,134	2,463	19,402	871	31,603
OFFICE TRAVEL, ETC.	3,204	2,894	644	3,084	2,888	13,594	640	23,028
RETIREMENT PLAN EXPENSES	4,581	4,354	1,382	4,282	2,888	17,442	818	33,282
TOTAL SALARIES AND RELATED EXPENSES	41,208	69,796	24,578	94,977	31,241	199,728	6,048	391,202
ADVERTISING	528	-	-	-	-	528	-	528
INSTITUTIONAL CONSULTANTS/ PROLIFERATORS	-	28,730	8,000	3,200	8,700	48,630	-	48,630
SUPPLIES - OFFICE	4,881	380	187	488	888	3,324	888	6,348
TELEPHONE	3,802	3,811	330	1,823	800	10,566	808	16,279
POSTAGE	278	48	14	174	388	1,294	188	1,968
RENT OFFICE SPACE	2,453	2,845	468	3,283	880	8,919	1,888	10,888
CLASSROOM RENT & CLEANING	-	-	-	-	4,800	4,800	-	4,800
RENT-FOURWHEEL	888	1,055	117	1,382	184	3,644	383	5,034
TRAVEL	1,218	844	184	157	915	2,419	278	3,793
SECURITY FEE	-	-	-	-	810	810	810	810
ACCOUNTING	2,718	8,687	1,040	5,287	2,445	18,177	1,888	40,088
EDUCATIONAL SUPPLIES, FILMS, WORKBOOKS	1,888	345	664	1,377	1,748	6,215	-	8,218
UTILITIES	1,548	908	158	588	300	3,502	387	3,887
REPAIRS & MAINTENANCE	1,878	-	-	-	180	1,878	188	2,066
WASHCLOTHS	2,877	-	-	-	-	2,882	288	3,167
INSURANCE	1,808	828	118	608	208	2,811	281	3,098
CLUBS	487	-	-	-	-	487	48	535
LIQUOR	-	-	-	-	-	-	888	888
SPRINKLER	8,888	-	-	-	-	8,888	8,888	8,888
WASHCLOTHS	188	-	1,028	-	-	1,200	-	1,200
PROCESS	-	-	-	-	-	-	28	28
TOTAL EXPENSES-PROGRAM DEPRECIATION	69,887	87,778	34,632	60,378	84,330	283,915	14,837	520,482
	-	-	-	-	-	-	5,882	5,882
TOTAL	70,287	87,778	34,632	60,378	84,330	283,915	20,719	526,464

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS)

BAYOU COUNCIL ON ALCOHOLISM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in net assets	\$	(37,708)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		5,997
Decrease in program workbook/materials		2,664
Decrease in prepaid items		808
Increase in accounts payable		2,248
Increase in notes payable		2,636
Increase in payroll taxes payable		3,723
Decrease in grant receivable		10,128
Increase in unearned income		758
Increase in fixed assets		(377)
Other net changes		<u>(18)</u>
Net cash provided from operating activities		<u>(8,138)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

None		"
Net cash used by investing activities		<u>"</u>
NET INCREASE IN CASH		(8,138)
CASH - June 30, 2001		<u>12,172</u>
CASH - June 30, 2002	\$	<u>4,034</u>

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS)

BAYOU COUNCIL ON ALCOHOLISM, INC.
Notes to Financial Statements
Period Ended June 30, 2002

A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Bayou Council on Alcoholism, Inc., (BCOA), (the Council) serves Lafourche Parish and surrounding cities and parishes under the name Bayou Council on Alcoholism and Drug Abuse. It serves this area through several programs. Its Community Awareness Program is an effort to make the public more aware of and to try to limit the problems and destruction caused by alcohol and other drugs. For the period ended June 30, 2002, Community Awareness also included a program to prevent minors from being able to purchase cigarettes, a program referred to as the Sympar Program. Through its Families in Focus Program, BCOA provides a family education program to improve communication skills and strengthen families identified as having high risk of possible exposure to the detrimental effects of alcohol and drug abuse. The Family in Focus program consists of weekly seminars for 12 weeks. Also, the Council provides information to schools and presentations to selected grade levels of school children and the general public on alcohol and drugs through its High Risk Youth Program. The Parenting Education Program consists of teaching parenting skills to parents and assist parents in developing new ideas and techniques, which they can utilize in improving their relationship with their children. These programs are funded through a combination of various grants from the United Way, grants/contracts with the State of Louisiana that reimburses qualified expenses, unrestricted grants received from the Lafourche Parish Council, from funds generated by the Council's Alcohol Information School (AIS), and minor other sources.

Attendees of the Alcohol Information School (AIS) are mostly citizens who have been charged with driving while intoxicated and are referred to the Council's AIS by City and State courts. Funding for the AIS is primarily from tuition paid by the student of \$100 and a \$25 registration fee. An AIS is typically a classroom lecture and film presentation presented on three consecutive nights. This program is operated in Lafourche Parish only.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for

specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fixed Assets

DCDA follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. The fair value of donated fixed assets is similarly capitalized. Depreciation is computed on a straight-line basis over the useful lives of the assets.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

Fund Raising

Costs incurred in connection with obtaining and renewing state contracts/grants and United Way awards are included with the cost to administer the programs for which said funding is used and/or general and administrative expenses in some instances. Management has determined that those costs are incidental to the reporting cost already associated with the current year awards. Occasionally other minor fund raising activities are held, such as membership renewal, which management has determined to be too minor to warrant separate functional expense allocation.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Employees' salaries, fringe benefits, and certain other administrative expenses have been allocated among programs and supporting service classifications based on time sheets submitted by employees. Whenever practical, expenses are allocated directly to the program or supporting service classification to which it relates.

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Further, the programs offered to the public are dependent on funding from State Grants and the United Way. Specific programs funded by the State of Louisiana vary from year to year requiring sometimes significant changes in estimates of expenses allocated to various programs.

Income Taxes

No provision for income taxes has been made. The Internal Revenue Service has issued the Bayou Council on Alcoholism, Inc. an advanced ruling letter exempting the Council from income taxes. (See Note C)

Financial Statements Presentation and Financial Reporting

BCOA reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions, as such, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

II. CONCENTRATIONS OF SUPPORT

The support BCOA receives is concentrated in the State of Louisiana Grants that reimburse qualified expenses, including employee salaries, and support from the United Way. During the year ended June 30, 2003, the State Grants reimbursing qualified expenses totaled \$163,107 and support from the United Way totaled \$62,693.

There is a risk that the State Grants and United Way funding could be reduced or eliminated. If that should occur, substantial reduction in programs provided could result since the Council is economically dependent on that support to continue operating most programs. (See notes E and L.)

III. INCOME TAXES

The Bayou Council on Alcoholism, Inc. is a non-profit corporation organized under the laws of the State of Louisiana. The Internal Revenue Service has recognized the Council as being exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Internal Revenue Service has further determined the Council not to be a private foundation as within the meaning of Internal Revenue Code Section 509(a). Contributions to the Council are deductible as provided by Section 170 of the Internal Revenue Code. The Council is not involved in any trade or businesses unrelated to the purpose for which it received its exemption from income taxes.

II. GRANTS RECEIVABLE--\$9,494

As of June 30, 2003, the Council had a grant receivable from the State of Louisiana Department of Health and Hospitals in the amount of \$9,494. This receivable represents claims submitted for

reimbursement as provided by various grants. The above listed receivables were collected in the subsequent period.

ED SUPPORT

Grants from Governmental Agencies—\$164,407

Louisiana Department of Health and Hospitals—\$163,187

During the year ended June 30, 2003, the Council recognized as support the funding it received from the Louisiana Department of Health and Hospitals by means of contracts that reimburse qualified expenses incurred in connection with services that HCOA provides. The grants were part of a Federal Block Grant received by the State of Louisiana. During this period, the Council recognized \$163,187 in connection with two grants covering the period July 1, 2001, through June 30, 2002.

Local Governmental Agencies—\$1,380

During the year ended June 30, 2002, the Council received \$1,380 in funding from the City Court of Thibodaux. There were no restrictions on the City Court of Thibodaux grant and, therefore, it is included as unrestricted funds when received.

United Way—\$62,493

During the year ended June 30, 2002, the Council was funded by the United Way. The Council received \$33,518 in connection with the 2001 calendar year grant and \$28,974 in connection with the 2002 calendar year grant. The awards are generally paid in monthly installments and are not considered unconditional promises to pay by the United Way. Therefore, the awards are recognized as support when payments are actually received.

There were some restrictions as to use as well as conditions on receiving the funds. As such, the Council included the \$62,493 as temporarily restricted funds when received. These funds were transferred to the unrestricted category when the restrictions were met.

As of June 30, 2003, the Council has a conditional promise that the United Way will provide an additional \$31,026 in support by December 31, 2003, under the 2003 United Way calendar year grant.

Donated Facilities—\$2,128

The alcohol information schools that were conducted in Thibodaux during the fiscal year were presented in classrooms operated by unrelated non-profit organizations that allowed the use of their facilities at or below market rental value. Management has determined the value of the rental space to be \$2,128 more than what was actually paid to rent the facility.

II. DONATED EQUIPMENT, MATERIALS, AND SERVICES

The Council's policy is to record donated material and equipment as contributions at their estimated values on the date received when the value of the amounts received is material to the financial statements. However, for the year ended June 30, 2002, the Council did not receive any donated materials or equipment that was considered to be of an amount material to the financial statements. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, some volunteers have donated time to the Council's program services and other activities.

III. LEASES

The Council entered a 3-year lease for its Thibodaux office space for the period December 1996 through November 2001 and notified the lessor of its intent to renew the lease for 5 years, ending November 2006 at \$825 per month. Commencing in May 2000, the Council entered into a 60-month lease for office equipment at a monthly rate of \$141 per month without a predetermined option to buy at the end of the lease term. Future lease obligations at June 30, 2002, were as follows:

YEAR	THIBODAUX OFFICE SPACE	EQUIPMENT LEASE	TOTAL
06/2003	\$ 11,100	\$ 1,682	\$ 12,782
06/2004	11,100	1,682	12,782
06/2005	11,100	1,400	12,510
06/2006	11,100	--	11,100
06/2007	4,625	--	4,625
	<u> </u>	<u> </u>	<u> </u>
Total	\$48,025	\$4,764	\$52,819
	<u> </u>	<u> </u>	<u> </u>

IV. FIXED ASSETS

Fixed assets acquired by BCOA are considered to be owned by BCOA. The assets consist of office furniture, fixture, and equipment. The assets are depreciated over a five-year life using straight-line depreciation. Fixed assets are recorded at historical cost for items purchased. Donated fixed assets are recorded at estimated fair market value and depreciated over their remaining useful lives. Fully depreciated assets still in service at year-end totaled \$14,684.

Occasionally the Council has purchased and capitalized the costs of fixed assets and those costs were reimbursed to the Council under the various state grants that were in effect. The equipment is therefore considered to be purchased with funds from the grants. Grant provisions provide that equipment purchased with funds from the grant be transferred back to the state when the Council no longer provides contract services to the state. As of June 30, 2002, the total recorded costs of fixed assets purchased with grant funds totals \$29,009.

Land acquisition

The Council purchased in October 1998, a vacant lot that is next to the office space it leases in Thibodaux. The council has no specific plans for the real estate at this time. The cost was \$53,000 and was financed by drawing on a line of credit at a local bank which has since been paid in full.

D UNEARNED INCOME

Tuition collected from Alcohol Information School students who have not completed the course is recorded as unearned. Some students pay the tuition but must wait until a class has been scheduled for them to attend. The tuition is considered earned when the student completes the course, or when it is determined that the tuition is forfeited by the student for repeated failure to attend a class in which he has been scheduled.

D NOTES PAYABLE-\$4,734

As of June 30, 2002, the Council was indebted to a local bank in connection with a line of credit that had been established. The maximum limit of the credit line is \$50,000. The Council used its credit line to finance working capital. The interest rate is variable and was 7.75% as of June 30, 2002. Accrued interest at June 30, 2002, was \$4. The loan is payable on demand. As of June 30, 2002, the balance of the note, \$4,734, is related to a working-capital loan made of \$5,000 in May 2002.

E) BOARD OF DIRECTORS' COMPENSATION

No member of the Board of Directors received any compensation or per diem allowance to serve as Board members.

13) RETIREMENT PLAN (DEFERRED CONTRIBUTIONS PLAN)

Effective November 1, 2000, the Council adopted a profit-sharing plan for its employees titled the BOCA Retirement Plan. The terms of the plan allow the council to contribute up to 15% of covered compensation for eligible participating employees. The plan's fiscal year ended June 30, 2002.

For the period July 1, 2001, through June 30, 2002, the Council contributed \$17,469 to the retirement plan for plan participants. As of June 30, 2002, the Council had 6 employees of which 4 were eligible participants in the plan. Employees need to meet length of service requirements to become eligible to participate and to gradually vest in employer contributions. No employee contributions are allowed. For June 30, 2002, no forfeitures from employees who terminated without fully being vested have been reallocated to remaining participants. The administration costs of the plan was an additional \$990 for the fiscal year ended June 30, 2002.

14) SUBSEQUENT EVENTS

Grants received

The Council was awarded two State of Louisiana Department of Health and Hospital grant/contracts in cooperation with selected programs for the period July 1, 2002, through June 30, 2003. The renewals awarded are to operate selected programs in the Council's traditional Lafourche Parish and surrounding geographical areas of service as well. These contracts are from the Louisiana Department of Health and Hospitals and provide for reimbursement of a maximum of \$129,000 of specifically allowed expenditures.

One grant, under which the Council received \$46,692 of cost reimbursement during fiscal year June 30, 2002, was not renewed.

Joseph P. Kotue

Certified Public Accountant

(A Professional Corporation)

554-B East Bayou Street/10th Floor, Suite Two • Thibodaux, Louisiana 70081 • (504) 447-0476 • Fax (504) 447-0430

REPORT ON INTERNAL ACCOUNTING CONTROLS MANAGEMENT LETTER COMMENTS

To the Executive Committee of
Bayou Council on Alcoholism, Inc.

I have examined the financial statements of Bayou Council on Alcoholism, Inc. for the year ended June 30, 2002, and have issued my report thereon dated December 13, 2002. As part of my examination, I made a study and evaluation of the Council's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Council's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Council is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in a system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of my evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all reportable conditions nor all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of Bayou Council on Alcoholism, Inc. taken as a whole. However, my study and evaluation disclosed the conditions set out at page 3 of this report, titled Management Letter Comments that I believe will improve the accounting system or should result in lowering the risk that errors or irregularities in amounts that would be material in relation to the financial statements of Bayou Council on Alcoholism, Inc. may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in my examination of the June 30, 2002, financial statements, and this report does not affect my report on these financial statements dated December 12, 2002.

This report is intended solely for the use of management and the Board of Directors and should not be used for any other purpose.

Theodore, L.A.
December 13, 2002

Joseph F. Kalon, CPA
(A Professional Corporation)

Management Letter Comments
Areas Suggested for Improving Accounting Controls

Item No. 1 of 7

Cash Receipts Lack of Segregation of Duties

I noted during my examination that due to the limited staff there is not a segregation of duties over cash receipts and the posting of the cash receipts to subsidiary records. The same persons who are responsible for receiving cash from AIS students directly are sometimes the same persons with responsibility for posting the payments to other records, and have other cash receipts responsibilities. Also due to limited personnel, it was noted that sometimes cash receipts processing was performed by the individual whose normal responsibility is to monitor other employees to ensure that the cash receipts are being properly recorded and controlled. These types of internal control weaknesses are a material weakness and could result in irregularities which would be hard to detect since on some occasions the same person handles all cash receipts functions dealing with the Alcohol Information School on some occasions.

Steps have been taken to improve control over payments received through the mail. Internal control was improved somewhat by having different individuals perform different aspects of the cash receipts cycle over mail receipts. These procedures should be continued, even though, the limited staff size appears to preclude the consistent segregation of the posting duties from the cash receipt procedures. It appears that due to the limited staff size, this segregation of duties problem cannot be overcome completely. Fidelity bond coverage was obtained for employees with cash receipt responsibilities, which partially mitigates this weakness.

Item 2 of 7

Employee Advances

During the examination, I noted a disbursement to an employee for a \$2,500 unsecured advance, which was repaid in full through payroll withholding prior to June 30, 2003. This lending activity is not normally in the scope of activities of a not for profit organization. And certainly if such activity should be necessitated, a signed promissory note should be secured to evidence the advance.

Item 3 of 7

Vacation Pay and Records of Vacation

During the examination, it was noted that the Director was compensated in October 2003 by check for unused vacation time not taken at June 30, 2003; the Council policy is that vacation time not taken by June 30 is lost by the employee. The Council's records of the Director's vacation time for fiscal year end June 30, 2001 reflected 160 of the allowed 160 hours as unused. Upon request, the Board authorized payment of the 160 vacation hours based on services rendered in lieu of vacation

time. Upon examination, it was noted that the unused vacation time of 100 hours was overstated by 48 hours taken and not posted in vacation records in July 2002.

Item 4 of 7

Bank Reconciliation Procedures

I noted that the person who has access to the blank checks and prepares the checks for signature is also the same person who performs bank reconciliation procedures. This could lead to defalcation or fraud that would not be difficult to detect. The bank reconciliation procedure should be performed by someone without access to the check preparation process.

Item 5 of 7

Lack of Supporting Invoice

An outside accounting service is used to provide data processing and general ledger and payroll services to the Council. These services are provided for a flat fee on a monthly basis. During my examination, I noted two instances where the monthly fee was paid but a supporting invoice was not received prior to preparation of the check, which is in conflict of normal policy.

Item 6 of 7

No Indication of Approval of Invoice for Payment and Cancellation of Paid Invoice

Several instances were noted where there was no indication on the face of the actual invoice that it was approved for payment nor was there indication on its face that it had been paid. These procedures should be implemented to improve documenting supervisory approval prior to payment and to reduce the chance of a bill being paid twice.

Similarly, numerous time sheets were noted that did not contain employee signature or supervisor approval. The supervisor should not authorize payment of any time sheet not signed by the employee and the supervisor approval should be directly on the time sheet.

Item 7 of 7

Overpayment of Sick Pay to an Employee

An employee who had previously utilized all of her allowed sick leave was paid for 3 sick days in February 2002 on check #12044 dated March 5, 2002; the same employee was paid for 6 sick days in April 2002, again even though she did not have any accumulated sick leave, on check # 12117 dated April 15, 2002. The overpayment on check #12044 was \$323 of which the Council requested reimbursement from the State of \$283. The overpayment on check #12117 was \$646 of which the Council received reimbursement from the State for \$563. The request for reimbursement could be considered a fraudulent act. Company policy should have been followed regarding sick pay and possibly alternatives found to the approach taken in compensating the employee in question.

Other Items to Consider

Insurance

It was determined that the Council does not have insurance coverage related to its office computer equipment, files, and other contents of the office building rented, from loss from fire, lightning, and similar perils for the year ended June 30, 2002. However, a policy was acquired to cover such items for the period July 2002, to July 2003.

Joseph P. Kolwe

Certified Public Accountant

(A Professional Corporation)

1010 East Bayou Road (Bay, McJannet) • Tallahassee, Louisiana 70561 • (909) 427-6751 • Fax: (909) 473-6750

INDEPENDENT AUDITORS' 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 Executive Committee of
Bayou Council on Alcoholism, Inc.

I have audited the financial statements of Bayou Council on Alcoholism, Inc. (a nonprofit organization) as of and for the year ended June 30, 2002, and have issued my report thereon, dated December 13, 2002. I conducted my 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, and the Louisiana Governmental Auditing Guide.

Compliance

As part of obtaining reasonable assurance about whether Bayou Council on Alcoholism, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2002-1, in the section labeled Findings Non-Compliance Material to the Financial Statements.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bayou Council on Alcoholism, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Bayou Council on Alcoholism, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items

2002-1,2,3,4,5, and 6 in the section labeled Findings Financial Statements Audits-Reportable Conditions.

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 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to management of Haywa Council on Alcoholism, Inc. in a separate letter dated December 13, 2002.

This report is intended solely for the information and use of the Executive Committee, management, and others within the organization and State and 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.

Joseph P. Kalwa, CPA
A Professional Corporation

December 13, 2002

BAYOU COUNCIL ON ALCOHOLISM, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDING JUNE 30, 2002

FINDINGS-FINANCIAL STATEMENTS AUDIT

Finding 6/2001.1 of 1

Condition: This finding was a reportable condition stating that there was not adequate segregation of cash receipts duties by employees.

Recommendation: Auditor recommended that management continue to carefully double check the cash receipt processing and eliminate opportunities for employees that collect cash receipts from also posting subsidiary records.

Current Status: The recommendation was adopted in that management double checks cash receipts list, but due to small work force sometimes the employee with cash receipts posting duties also collect cash receipts.

FINDINGS-NON-COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Finding 6/2001 Item 1 of 4

Condition: The finding reported that the cost of renting a fax machine and copy machine was recorded as a reimbursable expense under State Contract and, in essence, the Council as over reimbursed by \$1,248.

Recommendation: That client would better allocate usage of copy and fax machine to various programs and grants funding said programs.

Current Status: Client allocated costs more appropriately and did not seek any reimbursement for equipment rental costs during the year ended June 30, 2002.

Finding 6/2001 Item 2 of 4

Condition: For four individual employee positions salary was reimbursed in amounts that exceeded the individual limit the grant authorized for these employee positions. Total salary authorized by the grants was not exceeded.

Recommendation: Management keep more detailed supporting schedules to be sure reimbursable salary does not exceed authorized limits.

Current Status: For June 30, 2002, only one employee position was ever reimbursed and it was by less than \$200. However, total salary authorized by the grants was not exceeded.

Finding 6/30/01 Item 3 of 4

Condition: Large purchase of program educational supplies were made shortly before year-end and grant period end making it unlikely supplies could be consumed before year-end. The funds expended were reimbursed by state grants.

Recommendation: Program educational supplies should be purchased near the beginning of the grant year and only to the extent they would be expected to be consumed prior to year-end.

Current Status: No large purchases of educational or other supplies were purchased shortly before year-end, June 30, 2002, and charged to state grants as reimbursable items.

Finding 6/30/01 Item 4 of 4

Condition: Large purchase of billboard advertising was made shortly before the program expired and said costs were reimbursed by the state grants.

Recommendation: It was recommended that advertising for specific programs funded by state grants be purchased near the beginning of the project, not near the end, so the benefits of the advertising could be received during the course of the life of the program.

Current Status: No large advertising purchases were made during fiscal year and June 30, 2002. No state reimbursements were received in connection with advertising during fiscal year ended June 30, 2002.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unqualified, qualified, adverse or disclaimer)

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No ☒

Reportable condition(s) identified not considered to be material weaknesses?

Yes ☒ None reported

Noncompliance material to financial statements noted

Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified

Yes No ☒

Reportable condition(s) identified not considered to be material weaknesses?

Yes None reported ☒

Type of auditor's report issued (unqualified, qualified, adverse or disclaimer)

Unqualified

Any audit findings that are required to be reported in accordance with 410(a) of Circular A-133?

Yes No ☒

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ N/A

Auditee qualified as low-risk auditee.

Yes ☒ No

RAYON COUNCIL ON ALCOHOLISM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

FINDINGS-FINANCIAL STATEMENTS AUDIT

Reportable Condition:

June 30, 2002--Item 1 of 6

Condition: There is not a complete segregation of duties by employees in the cash receipts process that reduce the risks of improper reporting below a low level.

Criteria: Internal controls should be in place that provide reasonable assurance that individuals with access to cash receipts do not also have access and responsibility for posting of cash receipts to subsidiary records.

Effect: This lack of segregation of duties allow for the misappropriation of cash receipts and the potential to cover it up through improper postings to subsidiary records.

Recommendation: Management has to continue to carefully double check the cash receipts processing periodically and try to eliminate the opportunities for employees to collect the cash receipts and also post the receipts to subsidiary records.

Material Weakness: This item is not considered to be a material weakness to the financial statement audit.

June 30, 2002--Item 2 of 6

Condition: The President of the Board of Directors authorized an unsecured \$1,500 advance to the Executive Director which was repaid in full prior to June 30, 2002.

Criteria: Making loans to employees generally is not what not-for-profit organizations do.

Effect: Could result in loss of funds from non-payment affecting the organization's ability to operate.

Recommendation: Any such item should be done on rare occasion and only with full Board of Director approval and with adequate security.

Material Weakness: This particular item was not considered to be a material weakness to the financial statements.

June 30, 2002—Item 3 of 6

Condition: The Executive Director was paid for more vacation time than authorized by the Policy and Procedures Manual.

Context: Vacation time unused at June 30, each year is lost according to the policy and procedures manual. The Executive Director asked the Board to pay her for her unused vacation time since due to job requests she rarely has flexibility to take all allotted vacation hours. The unused vacation hours reflected on the Council's control page for the Executive Director's vacation time overstated unused vacation time by 40 hours.

Criteria: The vacation time used log is supposed to be updated to reflect vacation time used as reflected on its employee biweekly time sheets.

Effect: The Executive Director was overpaid by approximately \$961.60 and may need to repay it to the organization.

Questioned Cost: The amount in question was not reimbursed by any State of Louisiana Contract with the Organization.

Cause: The Executive Director's position is that the unposted vacation time was actually "Comp Time", i.e. time she took off since she had worked so much extra time on weekends and late nights. The time sheets have no provision for taking off comp time but comp time is allowed in the policy and procedures manual.

Recommendation: The policy and procedures manual should be reviewed to clearly state comp time procedures such as maximum amount allowed and when it must be taken. The time sheets should make provision for comp time being taken by an employee.

Material Weakness: This item was not considered to be a material weakness.

June 30, 2002—Item 4 of 8

Condition: Bank reconciliation procedures are performed by the same person who prepares the checks, enters the checks into the general ledger system and has access to blank checks.

Criteria: Internal control procedures should be in place to provide reasonable assurance that individuals who process cash disbursements and record them, not have access to blank checks and bank reconciliation control procedures which in effect is a checking up on the checks preparation and processing step.

Effect: Lack of segregation of the duties could result in misappropriation and the potential to cover it up.

Recommendation: Management has to continue to carefully double check the procedures and should try to get someone else to perform the bank reconciliation. Further, management should limit the preparer of checks access to the supply of blank checks.

Material Weakness: This is not considered to be a material weakness to the financial statements.

Item 30, 2001-Item 5 of 6

Condition: Payment of some bills that normally require the presentation of an invoice for services rendered were made without the invoice being presented.

Context: Two monthly fees were paid to the outside accountant who prepares the financial statements and processes cash receipts, disbursements, payables, and journal entries without the invoice being presented. Each bill was for \$600.

Criteria: Without the evidence of an invoice, there is a possible claim that the payment made was for some services other than what management understood it was for.

Effect: The cost incurred could be considered unallowable under the State of Louisiana contract.

Questioned Costs-\$1,200:

Cause: Management allowed the payments because they understood they were for the standard monthly fee.

Recommendation: Only pay from invoices provided that adequately describes the services rendered.

Material Weakness: This item was not considered to be a material weakness.

Item 31, 2001-Item 6 of 6

Condition: Invoices examined did not clearly reflect on the face that they were cancelled as "paid" and invoice and time sheets did not clearly reflect in fact that they were approved for payment.

Context: Items selected for compliance testing included several time sheets without supervisory approval indicated on the face of the time sheet. Also, the invoices selected

for testing checked in flow having "paid" cancellation stamp or supervisory approval indicated on face of invoice.

Criteria: Indication of supervisory approval and marking an invoice paid are clear evidences that internal control procedures are being performed and should be on the face of the related documents and not on attached cover pages which could get lost.

Effect: Without proper indication of supervisory approval and marking invoice paid, this could result in confusion and possible payment of an invoice twice or questioning of the appropriateness of an employee time sheet for a pay period.

Questioned Costs: None

Cause: Supervisory approval and procedures to show bills are paid are on attachment stapled to time sheets and vendor invoices.

Recommendation: Put approval and paid indications directly on vendors invoice and employee timesheets

Material Weakness: None

FINDINGS-NON-COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

June 30, 2002-Item 1 of 1

Condition: An employee was paid for sick leave that even though she had previously utilized her sick leave allowable to her for the year by the organization's policy and procedures manual. The amount paid was reimbursed by State Grants.

Control: On two separate occasions one employee who had already utilized all sick leave and vacation leave was paid for sick days. On check # 12044 dated March 3, 2002, an employee was paid for three sick days that she did not have; the three days gross pay totaled \$323.04. In April 2002, check #12117 dated April 15, 2002, was paid for six sick days that she did not have. The six day gross pay totaled \$646.08. Related payroll taxes on this overpayment was \$24.71 and \$46.42, respectively.

Criteria: Only compensated sick leave that is within the adopted policies of the organization should be paid to employees. And only the sick pay amounts meeting policy requirements of BCDA should be a reimbursable expense under State Grants.

Effect: The costs reimbursed under the State contracts could be a disallowed cost and may need to be repaid to the State

Questioned Cost:

	Amount of unrepaid sick leave	Amount Reimbursed under D.O.A. Contracts		
		Total	Contract Number 351200977	351200208
Check # 12044 dated 3/9/02	323.84	282.68	161.32	121.14
Check # 12117 dated 4/15/02	646.08	585.32	403.88	161.32
Related payroll Taxes 7.65%	73.43	64.86	43.34	21.62
		912.84	608.56	304.28

Causes: Management was aware that employee had utilized all sick leave. However, since employee has shown years of dedicated service and the sick leave was related to a problem pregnancy, management decided to pay the sick leave anyway.

Recommendation: Management should get board approval for any deviation from standard policy and procedures and should not have requested reimbursements for the amount paid.

BAVON COUNCIL ON ALCOHOLISM, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2002

December 20, 2002

Region III - OAD
521 Legion Avenue
Houma, LA 70364
Department of Health & Hospitals

Bayou Council on Alcoholism, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2002.

Name and address of independent public accounting firm: Joseph P. Kolwe, CPA (APC), 102-B East Bayou Road, Thibodaux, LA 70301.

Audit period: June 30, 2002

The findings from the June 30, 2002, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

Item 3A, 2002—Item 1 of 6—Cash Receipts—Lack of Segregation of Duties

Recommendation: Management has to continue to carefully double check the cash receipts processing periodically and try to eliminate the opportunities for employees to collect the cash receipts and also post the receipts to subsidiary records.

Action Taken: We will continue to double check cash receipts processing and try to limit the personnel collecting cash receipts. However, limited personnel prevent a total segregation of duties at all times.

June 28, 2002 –Item 2 of 6-Employee Advances

Recommendation: Any such items should be done on rare occasion and only with full Board of Director approval and with adequate security.

Action taken: The policy for advances are in place but will be revised to include the words "with full Board Approval" and will require adequate security to ensure the repayment of such advance.

June 28, 2002 –Item 3 of 6-Vacation Pay and Records of Vacation

Recommendation: The policy and procedures manual should be reviewed to clearly state comp time procedures such as maximum amount allowed and when it must be taken. The time sheets should make provisions for comp time being taken by an employee.

Action taken: The policy and procedures manual will be reviewed and revised as necessary, after the comp time issue is researched to determine how to properly allow comp time to employees. The employee time sheets will be revised to reflect comp time taken. Controls will be put in place to monitor comp time usage.

June 28, 2002 –Item 4 of 6-Bank Reconciliation Procedures

Recommendation: Management has to continue to carefully double check the procedures and should try to get someone else to perform the bank reconciliation. Further, management should limit the preparer of checks access to the supply of blank checks.

Action taken: Director will carefully review all bank reconciliations prepared by other individuals. Periodically, the Director will prepare the reconciliation herself and on occasion will delegate the preparation to another individual. The access to blank checks to the preparer will be limited to the number needed to process the cash disbursements batch. A log reflecting checks issued and used by the preparer will be developed and utilized.

June 28, 2002 –Item 5 of 6-Lack of Supporting Invoices

Recommendation: Only pay from invoices provided that adequately describes the services rendered.

Action taken: Invoices will be required for payment and they will be reviewed for services rendered. Checks will only be issued after the invoice has been submitted and approved.

June 18, 2003--Item 6 of 6--No Indication of Approval of Invoice for Payment and
Cancellation of Paid Invoice

Recommendation: Put approval and paid indications directly on vendors invoice and employee timesheets.

Action taken: All invoices and employee time sheets will reflect approval for payment documenting that it has been reviewed prior to submission for check preparation. All invoices and employee time sheets will be stamped as paid to prevent it from being paid twice. This procedure was implemented in November of 2003.

**FINDINGS-NON-COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS
REPORTABLE CONDITIONS**

June 30, 2003--Item 1 of 1--Overpayment of Sick Pay to an Employee

Recommendation: Management should get board approval for any deviation from standard policy and procedures and should not have requested reimbursements for the amount paid.

Action taken: All deviations from standard policy and policy and procedures will get board approval. At the time the request for reimbursement was made, administrators did not perceive it to be a non-allowable cost. The employee did not get paid for more than 40 hours/week and due to the fact that the employee is a dedicated employee exceptions were made to the policy.