

**LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING**

**FINANCIAL STATEMENTS**

**JUNE 30, 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 3-3-04

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# YOUNGBLOOD & HODGES

A PROFESSIONAL ACCOUNTING CORPORATION

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SHREVEPORT, LOUISIANA 71135-5926

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Louisiana Association on Compulsive Gambling  
Shreveport, Louisiana

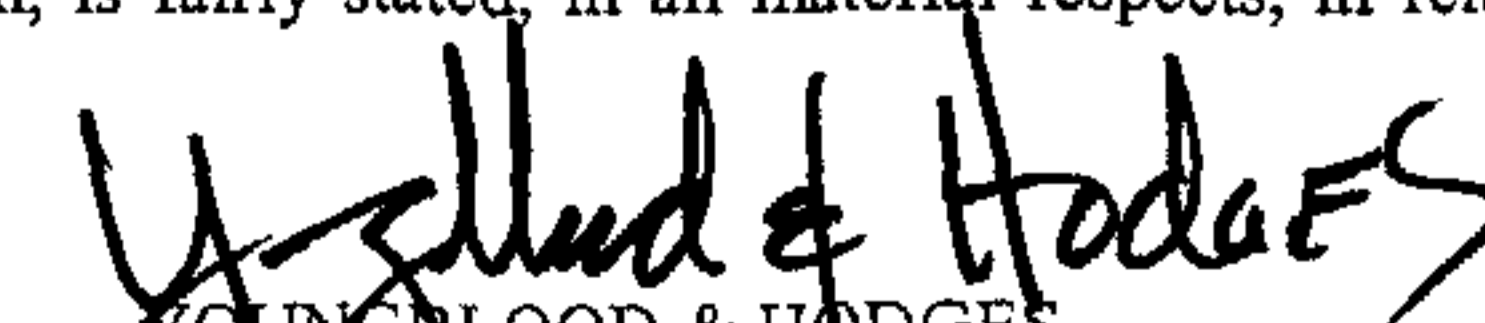
We have audited the accompanying statement of financial position of the Louisiana Association on Compulsive Gambling (a nonprofit organization) as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 the 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 of the Louisiana Association on Compulsive Gambling as of June 30, 2003, and the changes in its net assets 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*, we have also issued our report dated February 19, 2004, on our consideration of the Louisiana Association on Compulsive Gambling'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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Louisiana Association on Compulsive Gambling taken as a whole. The accompanying schedule of state contracts is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
YOUNGBLOOD & HODGES  
A Professional Accounting Corporation

February 19, 2004

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2003

ASSETS

<u>Current Assets</u>	
Cash on hand and in bank, including \$80,831 bearing interest	\$ 81,931
Accounts receivable	362,310
Accounts receivable-related party	815
Prepaid rent	<u>94,250</u>
Total Current Assets	<u>539,306</u>
 <u>Property and Equipment</u>	
Equipment	103,888
Furniture and fixtures	89,998
Leasehold improvements	194,966
Vehicles	<u>45,285</u>
Total Property and Equipment	434,137
Less: Accumulated depreciation	<u>(86,595)</u>
Net Property and Equipment	<u>347,542</u>
 Total Assets	 <u>\$ 886,848</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts payable	\$ 57,093
Inter-agency accounts payable	<u>102,187</u>
Total Current Liabilities	<u>159,280</u>
 <u>Net Assets</u>	
Net assets – Unrestricted	<u>727,568</u>
 Total Liabilities and Net Assets	 <u>\$ 886,848</u>

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

<u>Public Support</u>	
Contributions and memberships	\$ 229,831
 <u>Revenues</u>	
Client payments	44,659
State of Louisiana contract income	1,146,112
State conference income	7,675
Miscellaneous income and grants	4,869
Interest income	<u>1,217</u>
Total Revenues	<u>1,204,532</u>
 Total Public Support and Revenues	 <u>1,434,363</u>
 <u>Expenditures</u>	
<u>Program Services</u>	
Professional salaries	358,377
Support salaries	240,665
Professional fees	157,613
Outside services	3,689
Contract dietician	375
Contract physician	12,850
Contract RN	8,038
Contract psychiatrist	750
Lab and medical services	2,672
Food and beverage supplies	32,392
Equipment rent and lease	4,683
Rent	83,048
Laundry supplies	267
Linen and bedding	1,752
Utilities	22,575
Telephone and communications	33,101
Paging service	969
Maintenance supplies	2,376
Kitchen supplies	3,322
Housekeeping supplies	3,923
Advertising and promotion	10,176

(Continued)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

<u>Program Services (Continued)</u>	
General and liability insurance	8,586
Professional liability insurance	2,444
Medical, life and disability insurance	26,481
Vehicle insurance	2,510
Building and grounds repair and maintenance	15,962
Equipment repair and maintenance	12,765
Automobile parking	3,165
Auto oil and gas	549
Payroll taxes	45,827
Unemployment expense	15,876
Workmen's compensation insurance	9,585
Licenses, permits and fees	5,201
Recreation expense	383
Office supplies	16,939
Travel expense	26,334
Auto mileage reimbursement	14,386
Literature and printing	18,208
Dues and subscriptions - individuals	2,040
Dues and subscriptions - organizations	329
Accounting and audit fees	10,000
Board meeting expenses	2,674
Postage and shipping	5,962
Training supplies	3,560
Seminar expense	5,532
State conference expense	21,326
Client assistance	3,209
Education, training and activities	651
Other expense	14,086
Management fees	32,750
Depreciation expense	30,528
Total Program Services	<u>1,341,461</u>
Increase (decrease) in net assets - Unrestricted	92,902
Net assets – Unrestricted, beginning of year	<u>634,666</u>
Net assets – Unrestricted, end of year	<u>\$ 727,568</u>

(Concluded)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003

<u>Cash flows from operating activities</u>	
Increase (decrease) in net assets	\$ 92,902
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities	
Depreciation	30,528
(Increase) decrease in accounts receivable	(241,610)
(Increase) decrease in prepaid expenses	(69,152)
Increase (decrease) in accounts payable	40,995
Net cash provided (used) by operating activities	<u>(146,337)</u>
 <u>Cash flow from investing activities</u>	
Cash payments for the purchase of property	<u>(160,546)</u>
Net cash provided (used) by investing activities	<u>(160,546)</u>
 Net increase (decrease) in cash and equivalents	(306,883)
Cash and equivalents, beginning of year	<u>388,814</u>
Cash and equivalents, end of year	<u>\$ 81,931</u>
 <u>Supplemental disclosures of cash flow information:</u>	
<u>Cash paid during the year for:</u>	
Interest expense	<u>\$ 0</u>
Income Tax	<u>\$ 0</u>

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES

Organization

The Louisiana Association on Compulsive Gambling is a non-profit corporation. The purpose of the Louisiana Association on Compulsive Gambling is to continue heightening public awareness that compulsive gambling is a preventable and treatable disease, through a combined strategy of education and training, and the efforts of individuals, families and all elements of the community working in concert.

Depreciation and capitalization policy

The basis of valuation of depreciable assets is the asset's cost or fair market value at date of donation. Expenditures for assets in excess of \$500 are capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

Leasehold improvements	25 years
Vehicles	5 years
Furniture and fixtures	7 years
Equipment	5 - 7 years

Provision for Income Taxes

No provision for income taxes is reflected in the statements as the Association files a tax-exempt return under IRS Section 501(c)(3).

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The organization has not accrued compensated absences because the amount cannot be reasonably estimated.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

The Association receives its grant and contract support primarily from the State of Louisiana Department of Health and Hospitals and other State Agencies. Support received from those grants and contracts is recognized on a "net funded" basis whereby State of Louisiana Department of Health and Hospitals, Office for Addictive Disorders funding is recognized on a last-dollar-in basis. Related expenses incurred are "netted" first by client fee income in determining grant funds to be recognized. The Association received client fee income for billable client services and recognized these fees and income when earned.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Association with the terms of the grants/contracts.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. If during the year a contribution received is temporarily restricted and the requirements of the temporary restriction are met in the same year, thus releasing all of it from the restriction, it is the Association's policy to report the contribution income and the related expenses as unrestricted.

Memberships

Memberships are essentially honorary, as no goods or services are provided to the members in exchange for their membership dues, and consequently, memberships have been treated as contribution revenue.

(2) LEASES

The Association leases the facilities that house its treatment center. The original term of the lease was five (5) years and the lease payments are \$4,500 per month, resulting in remaining minimum lease payments of \$24,750 in the year ending June 30, 2004. See Note 3 for additional information.

The Association entered into a lease agreement on August 7, 2002, for the location of a new treatment center in New Orleans. The term of the lease is sixty months. The Association prepaid \$76,500 upon lease execution as nonrefundable pre-payment of tenant improvement rent. Under this lease agreement, the Association has the following minimum lease payments due:

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

(2) LEASES (Continued)

<u>Year Ending</u>	<u>Minimum Lease Payment Due</u>
June 30, 2004	\$84,403
June 30, 2005	\$84,403
June 30, 2006	\$84,403
June 30, 2007	\$84,403
June 30, 2008	\$84,403

(3) RELATED PARTY TRANSACTIONS

The Association entered into transactions with the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (the Council), a nonprofit organization related through common management. The Council owns a building that it leases to the Association. The term of the lease is five (5) years and the lease payment is \$4,500 per month. The lease includes a \$45,000 deposit by the Association that it may deduct from its rental payments to the Council at the rate of \$500 per month for ninety (90) consecutive months as a reduction in the amount of the deposit. At June 30, 2003, the remaining amount of the deposit was \$17,750. In the event that the Association does not make monthly payments or elects not to occupy the leased premises, the balance of the remaining deposit will be forfeited to the Council. The Council provides services and office space (separate from the leased building) to the Association and charges the Association a management fee for these services. The management fees were \$32,750 for the year ended June 30, 2003. The Council also processes the payroll for the Association and the Council receives reimbursement for the expense of the payroll and payroll taxes. The Association had a payable due to the Council for payroll, rent, management fees, and expenses at June 30, 2003, of \$102,187 which is included in inter-agency accounts payable.

The Association also rented another building from the Council for use in its programs. During the fiscal year ended June 30, 2003, total rent paid to the Council for this building and the leased building described above was \$69,600 (\$15,600 which is included in the Help Line's program expenses and \$54,000 which is included in C.O.R.E.'s program expenses).

The Association entered into transactions with a company partially owned by one of the Association's board members. These transactions were entered into during the normal course of the Association's operations and were consummated in the same manner as any other arm's length transactions. Total transactions with this company during the year amounted to \$609.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

(4) DEPRECIATION EXPENSE

Depreciation expense of \$30,528 was charged to operations during the year ended June 30, 2003, and is reflected in the Statement of Activities.

(5) CASH

At various times during the fiscal year, the Association's cash in bank balances exceeded the Federally insured limits. At June 30, 2003, the Association's uninsured cash balances totaled \$-0-.

(6) CONCENTRATIONS

Approximately 80% of the Association's total revenue comes from one source. Although not anticipated, the loss of this source of revenue could have an adverse effect upon the Association.

**SUPPLEMENTAL INFORMATION**

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
STATEMENT OF ACTIVITIES - BY PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2003

	<u>LACG</u>	<u>CORE</u>	<u>Help Line</u>	<u>CORE South</u>	<u>Total</u>
<u>Public Support</u>					
Contributions & memberships	\$ 100,222	\$ 27,546	\$ 25,000	\$ 77,063	\$ 229,831
<u>Revenues</u>					
Client payments	-	42,757	1,902	-	44,659
State of Louisiana contract income	50,868	461,550	265,000	368,694	1,146,112
State conference income	7,675	-	-	-	7,675
Miscellaneous income and grants	1,408	2,745	716	-	4,869
Interest Income	1,154	-	63	-	1,217
Total Revenues	<u>61,105</u>	<u>507,052</u>	<u>267,681</u>	<u>368,694</u>	<u>1,204,532</u>
Total Public Support and Revenues	<u>161,327</u>	<u>534,598</u>	<u>292,681</u>	<u>445,757</u>	<u>1,434,363</u>
<u>Expenditures</u>					
<u>Program Services</u>					
Professional salaries	43,503	182,426	48,394	84,054	358,377
Support salaries	-	77,558	135,211	27,896	240,665
Professional fees	25,601	19,699	6,341	105,972	157,613
Outside services	-	2,427	17	1,245	3,689
Contract dietician	-	375	-	-	375
Contract physician	-	12,850	-	-	12,850
Contract RN	-	8,038	-	-	8,038
Contract psychiatrist	-	750	-	-	750
Lab & medical services	-	2,156	12	504	2,672
Food & beverage supplies	-	31,611	475	306	32,392
Equipment rent and lease	-	3,624	176	883	4,683
Rent	-	54,000	15,600	13,448	83,048
Laundry supplies	-	70	-	197	267
Linen & bedding	-	241	-	1,511	1,752
Utilities	-	15,171	4,382	3,022	22,575
Telephone & communications	6,167	7,148	14,566	5,220	33,101
Paging service	439	316	214	-	969
Maintenance supplies	(38)	1,183	14	1,217	2,376
Kitchen supplies	-	2,239	80	1,003	3,322
Housekeeping supplies	-	2,249	254	1,420	3,923
Advertising and promotion	-	837	4,830	4,509	10,176

(Continued)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
STATEMENT OF ACTIVITIES - BY PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2003

	<u>LACG</u>	<u>CORE</u>	<u>Help Line</u>	<u>CORE South</u>	<u>Total</u>
General and liability insurance	983	4,655	1,489	1,459	8,586
Professional liability insurance	611	611	611	611	2,444
Medical, life, and disability insurance	5,265	4,461	10,900	5,855	26,481
Vehicle insurance	-	1,953	-	557	2,510
Building and grounds repair and maintenance	-	10,864	3,111	1,987	15,962
Equipment repair and maintenance	-	8,244	1,732	2,789	12,765
Auto parking	10	96	3,056	3	3,165
Auto oil & gas	-	542	-	7	549
Payroll taxes	3,328	19,889	14,046	8,564	45,827
Unemployment expense	1,153	6,890	4,866	2,967	15,876
Workmen's compensation insurance	696	4,160	2,938	1,791	9,585
Licenses, permits and fees	2,875	1,340	-	986	5,201
Recreation expense	-	383	-	-	383
Office supplies	155	3,872	1,790	11,122	16,939
Travel expense	14,130	2,343	3,056	6,805	26,334
Auto mileage reimbursement	7,901	400	79	6,006	14,386
Literature and printing	4,409	997	299	12,503	18,208
Dues and subscriptions - individuals	195	1,470	150	225	2,040
Dues and subscriptions - organizations	30	120	60	119	329
Accounting and audit fees	500	3,000	2,500	4,000	10,000
Board meeting expenses	2,674	-	-	-	2,674
Postage & shipping	348	1,144	2,031	2,439	5,962
Training supplies	1,854	-	263	1,443	3,560
Seminar expense	2,571	747	1,539	675	5,532
State conference expense	19,203	214	-	1,909	21,326
Client assistance	-	2,703	-	506	3,209
Education, training, and activities	-	651	-	-	651
Other expense	2,314	6,458	2,585	2,729	14,086
Management fees	12,750	15,000	-	5,000	32,750
Depreciation expense	883	17,205	4,541	7,899	30,528
Total Program Services	<u>160,510</u>	<u>545,380</u>	<u>292,208</u>	<u>343,363</u>	<u>1,341,461</u>
Increase (decrease) in net assets - Unrestricted	817	(10,782)	473	102,394	92,902
Transfers of net assets	91,612	10,782	-	(102,394)	-
Net assets - Unrestricted, beginning of year	<u>570,273</u>	<u>-</u>	<u>64,393</u>	<u>-</u>	<u>634,666</u>
Net assets - Unrestricted, end of year	<u>\$ 662,702</u>	<u>\$ -</u>	<u>\$ 64,866</u>	<u>\$ -</u>	<u>\$ 727,568</u>

(Concluded)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
SCHEDULE OF STATE CONTRACTS  
AWARDED BY THE STATE OF LOUISIANA  
DEPARTMENT OF HEALTH AND HOSPITALS  
OFFICE FOR ADDICTIVE DISORDERS  
FOR THE YEAR ENDED JUNE 30, 2003

<u>Contract Number</u>	<u>Contract Term</u>	<u>Contract Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>Counseling Services</u> 72323	07/01/02-06/30/03	\$ 40,000	\$ 26,648	\$ 26,648
<u>CORE Treatment Center</u> 71495	07/01/02-06/30/03	558,450	461,550	461,550
<u>Help Line</u> 72488	07/01/02-06/30/03	265,000	265,000	265,000
<u>Gambling Conference</u> 72384	09/01/02-12/31/02	15,000	14,897	14,897
<u>Video Poker</u> 72483	07/01/02-06/30/03	11,500	9,324	9,324
<u>CORE South Treatment Center – Start-up</u> 71228	03/01/01-12/30/02	224,963	209,587	209,587
<u>CORE South Treatment Center – Operating</u> 72549	01/01/03-06/30/03	234,764	159,106	159,106

This schedule of state contracts includes the Louisiana Department of Health and Hospitals Office for Addictive Disorders contract activity of the Louisiana Association on Compulsive Gambling and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with State requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

See independent auditor's report and notes to financial statements

# YOUNGBLOOD & HODGES

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

Board of Directors  
Louisiana Association on Compulsive Gambling  
Shreveport, Louisiana

We have audited the financial statements of the Louisiana Association on Compulsive Gambling (a nonprofit organization) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 19, 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 Louisiana Association on Compulsive Gambling'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Compliance Findings.

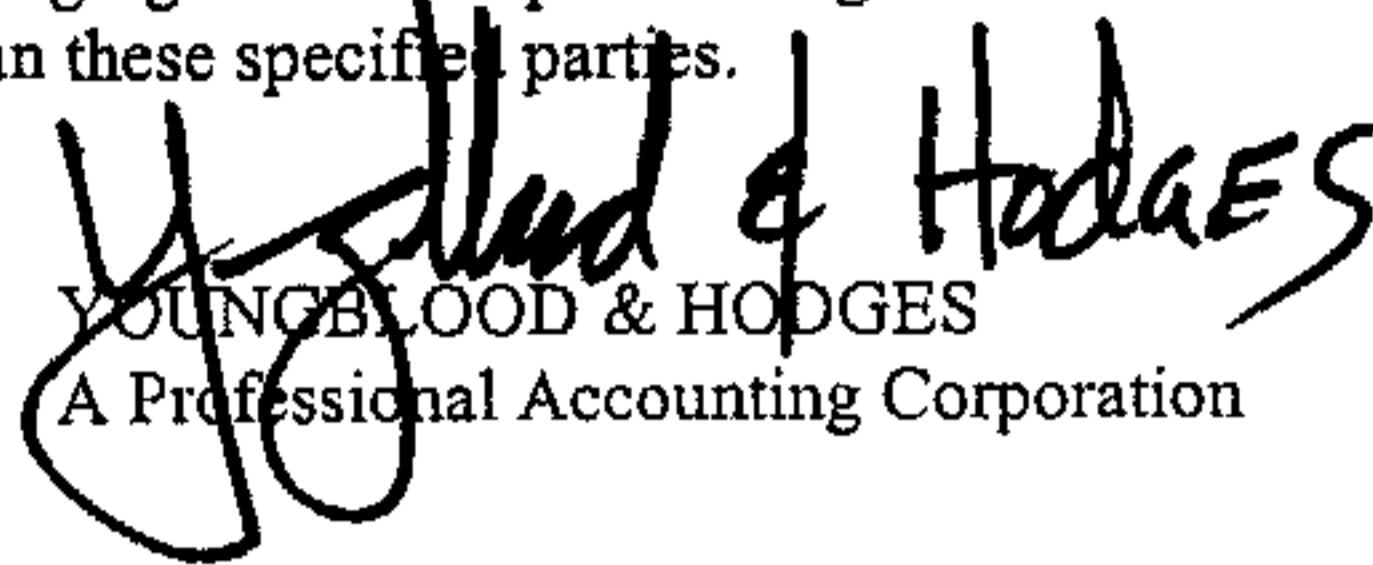
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Association on Compulsive Gambling'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Louisiana Association on Compulsive Gambling'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 Reportable Conditions and 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 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. Our 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, we consider four of the reportable conditions described above to be material weaknesses as detailed in the accompanying Schedule of Reportable Conditions and Material Weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization 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.

  
YOUNGBLOOD & HODGES  
A Professional Accounting Corporation

February 19, 2004

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
SCHEDULE OF COMPLIANCE FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003

The results of our tests disclosed the following instance of noncompliance:

- (1) Failure to comply with state law.

Instance of Noncompliance

Louisiana Association on Compulsive Gambling (LACG) failed to comply with state law since the engagement was issued after December 31, 2003, the six-month statutory issue date.

Reason for Noncompliance

LACG's accounting records were not made available for audit in sufficient time to complete the audit by the statutory deadline. Also, when the audit fieldwork began, LACG had not completed the accounting necessary for the audit to move ahead in a timely manner. Reasons for this are as follows:

- Dan Talley, the Executive Director of LACG's sister organization the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (the Council), was ill and had suffered deteriorating health as a result of complications from emphysema.
- The Council's Board of Directors made a decision to keep Mr. Talley in the Executive Director's position in spite of his health problems. Mr. Talley had served the Council for over 16 years with tremendous dedication to its purpose and had been instrumental in building the Council to its present stature as well as being a founder of Louisiana Association on Compulsive Gambling, and serving as LACG's first Executive Director.
- LACG's accounting functions are performed by the Council's accounting staff and the Executive Director of the Council and the Chief Accounting Officer of the Council both play key roles in the accounting function of LACG.
- The Chief Accounting Officer of the Council had to step in and perform many of the Executive Director duties that could not be performed by Mr. Talley due to his health over the past year. The accounting function suffered from the reduced amount of time the CAO then had available to devote to her own job duties.
- Mr. Talley's health took a turn for the worse during December 2003, and he died on Tuesday, January 20, 2004.

Plan of Corrective Action

The Board of Directors of the Council has approved additional funding for the Chief Accounting Officer to hire additional help to bring the accounting records up-to-date in more expedient manner.

This schedule is provided as supplemental information to the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*" dated February 19, 2004.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
SCHEDULE OF REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES  
FOR THE YEAR ENDED JUNE 30, 2003

The results of our tests disclosed the following reportable conditions:

- (1) Cash was not reconciled on a monthly basis. At the time the audit began, twelve months of bank statements had not been reconciled (seven months in the fiscal year ending June 30, 2003, and five months in the fiscal year ending June 30, 2004).
- (2) Financial statements were not prepared and reconciled on a monthly basis.
- (3) Accounting records were not filed in a consistent manner (or were not filed at all), making the pulling of records for audit purposes very difficult and time consuming.
- (4) The support for two checks chosen for testing could not be provided.
- (5) Lack of segregation of duties with respect to the person making adjustments to the financial records. In prior years, Dan Talley, Executive Director of the Council, played a key role in oversight and control of the accounting department. Due to his poor health and extensive time away from work due to his illness, his duties had been delegated to the Chief Accounting Officer. As a result, the system of checks and balances that had been in place was eliminated and resulted in the lack of segregation of accounting duties.

Of the reportable conditions described above, we consider items (1), (2), (3) and (5) to be material weaknesses.

This schedule is provided as supplemental information to the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*" dated February 19, 2004.

Plan of Corrective Action

The Board of Directors of the Council has approved additional funding for the Chief Accounting Officer to hire additional help to bring the accounting records up-to-date in more expedient manner.

The Board of Directors of the Council is in the process of evaluating resumes and interviewing applicants for the Executive Director's position and plan to have someone in place as soon as possible to re-instate the system of accounting checks and balances as it was originally intended to function.

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## MANAGEMENT LETTER

We have audited the financial statements of Louisiana Association on Compulsive Gambling as of and for the year ended June 30, 2003, and have issued our report thereon dated February 19, 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.

As part of our examination, we have issued our report on the financial statements dated February 19, 2004, and our report on internal control and compliance with laws, regulations, and contracts, dated February 19, 2004.

During the course of our examination, we became aware of the following matters which represent deviations of compliance or suggestions for improved internal controls.

2003-1. Cash not reconciled on a monthly basis.

Condition

Cash not reconciled on a monthly basis.

Cause

Accounting personnel did not make time to reconcile cash due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records not reconciled in a timely manner resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation

Cash should be reconciled monthly upon receipt of bank statements each month.

2003-2. Financial statements no prepared and reconciled on a monthly basis.

Condition

Financial statements no prepared and reconciled on a monthly basis.

Cause

Accounting personnel did not make time to prepare and reconcile financial statements due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records not reconciled in a timely manner resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation

Financial statements should be prepare and reconciled on a monthly basis as soon after each month end as possible, but in no case over 30 days past prior month end.

2003-3. Accounting records were not filed in a consistent manner, or were not filed at all.

Condition

Accounting records were not filed in a consistent manner, or were not filed at all.

Cause

Accounting personnel did not file accounting records in a proper manner due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records were not filed or organized which created a situation in which preparation of timely financial information was not possible, thereby resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation

All accounting records should be filed in a timely and consistent manner. Specifically, vendor invoices should be filed in alphabetical order. Each vendor should have its own file and all invoices for that vendor should be contained in that file for the year. Where applicable, invoices should be matched to vendor statements and reconciled prior to payment. If an invoice has to be provided to the State with its billing, a copy of that invoice should be attached to the state billing, but the original vendor invoice should always remain with the paid vendor file. Cancelled invoices should contain all necessary information for vouching, i.e., check number, check date, and general ledger coding for tracing to the detail accounting records.

State billings should be filed by contract number and copies of all necessary support for the billing should be attached and indexed.

2003-4. Support for two checks chosen for testing could not be provided.

Cause

Accounting personnel did not file accounting records in a proper manner due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records were not filed or organized which created a situation in which preparation of timely financial information was not possible, thereby resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation

All accounting records should be filed in a timely and consistent manner. Specifically, *vendor invoices should be filed in alphabetical order. Each vendor should have its own file and all invoices for that vendor should be contained in that file for the year.* Where applicable, invoices should be matched to vendor statements and reconciled prior to payment. If an invoice has to be provided to the State with its billing, a copy of that invoice should be attached to the state billing, but the original vendor invoice should always remain with the paid vendor file. Cancelled invoices should contain all necessary information for vouching, i.e., check number, check date, and general ledger coding for tracing to the detail accounting records.

State billings should be filed by contract number and copies of all necessary support for the billing should be attached and indexed.

2003-5. Lack of segregation of duties with respect to the person making adjustments to the financial records.

Cause

In prior years, Dan Talley, Executive Director of the Council, played a key role in oversight and control of the accounting department. Due to his poor health and extensive time away from work due to his illness, his duties had been delegated to the Chief Accounting Officer.

Effect

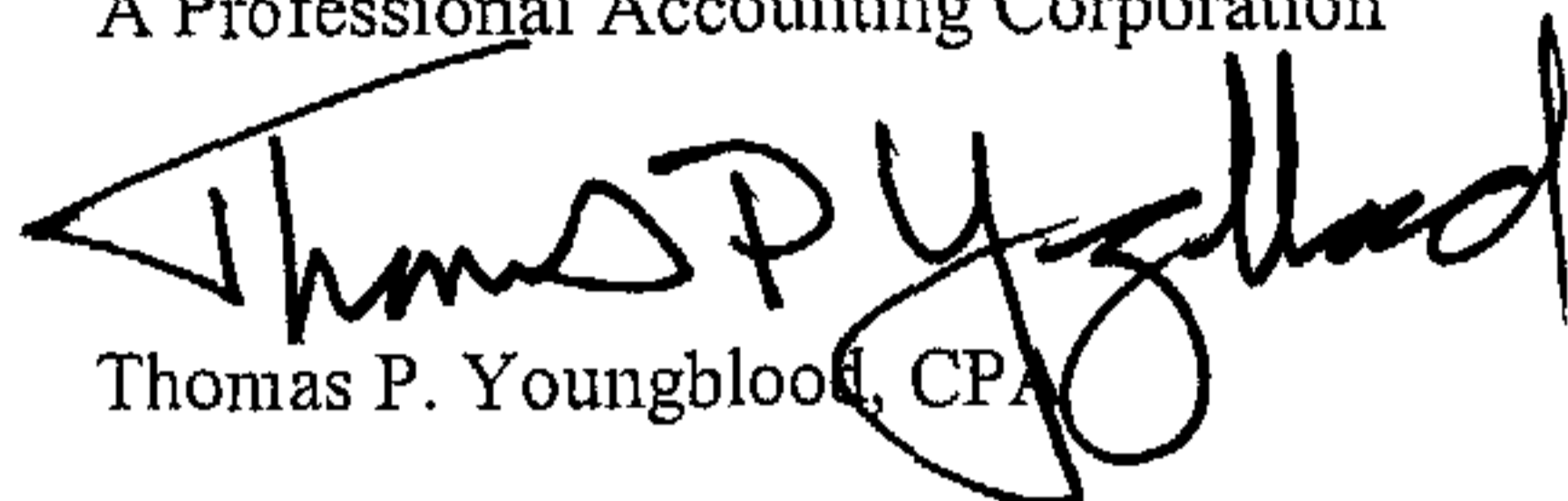
The system of checks and balances that had been in place in prior years was eliminated and resulted in the lack of segregation of accounting duties resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation

The Board of Directors of the Council should hire a competent Executive Director as soon as possible in order to re-establish the system of accounting checks and balances as had been in place in prior years.

We recommend that management and the Board of Directors of the Council address the foregoing issues as an improvement to operations and the administration of LACG's programs.

YOUNGBLOOD & HODGES  
A Professional Accounting Corporation

A handwritten signature in black ink, appearing to read "Thomas P. Youngblood". The signature is written in a cursive style with a large, stylized initial "T".

Thomas P. Youngblood, CPA

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
MANAGEMENT'S PLAN OF CORRECTIVE ACTION  
JUNE 30, 2003

The results of audit tests disclosed the following reportable conditions:

2003-1. Cash not reconciled on a monthly basis.

Cause

Accounting personnel did not make time to reconcile cash due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records not reconciled in a timely manner resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Plan of Corrective Action

To provide funding for additional personnel to bring the accounting records up-to-date in a timely manner. Also, to have the Council's Board of Directors to hire a competent Executive Director as soon as possible to provide the necessary accounting oversight and segregation of accounting duties.

2003-2. Financial statements no prepared and reconciled on a monthly basis.

Cause

Accounting personnel did not make time to prepare and reconcile financial statements due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records not reconciled in a timely manner resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Plan of Corrective Action

To provide funding for additional personnel to bring the accounting records up-to-date in a timely manner. Also, to have the Council's Board of Directors to hire a competent Executive Director as soon as possible to provide the necessary accounting oversight and segregation of accounting duties.

2003-3. Accounting records were not filed in a consistent manner, or were not filed at all.

Cause

Accounting personnel did not file accounting records in a proper manner due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records were not filed or organized which created a situation in which preparation of timely financial information was not possible, thereby resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Plan of Corrective Action

To provide funding for additional personnel to bring the accounting records up-to-date in a timely manner and to implement the vendor and state billing filing recommendations as detailed in the management letter. Also, to have the Council's Board of Directors to hire a competent Executive Director as soon as possible to provide the necessary accounting oversight and segregation of accounting duties.

2003-4. Support for two checks chosen for testing could not be provided.

Cause

Accounting personnel did not file accounting records in a proper manner due to taking on additional responsibilities the Council's Executive Director during his illness and death.

Effect

Accounting records were not filed or organized which created a situation in which preparation of timely financial information was not possible, thereby resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Plan of Corrective Action

To provide funding for additional personnel to bring the accounting records up-to-date in a timely manner and to implement the vendor and state billing filing recommendations as detailed in the management letter. Specifically, vendor invoices will be filed in alphabetical order. Each vendor will have its own file and all invoices for that vendor will be contained in that file for the year. Where applicable, invoices will be matched to vendor statements and reconciled prior to payment. If an invoice has to be provided to the State with its billing, a copy of that invoice will be attached to the state billing, but the original vendor invoice will always remain with the paid vendor file. Cancelled invoices will contain all necessary information for vouching, i.e., check number, check date, and general ledger coding for tracing to the detail accounting records. State billings will be filed by contract number and copies of all necessary support for the billing will be attached and indexed.

2003-5. Lack of segregation of duties with respect to the person making adjustments to the financial records.

Cause

In prior years, Dan Talley, Executive Director of the Council, played a key role in oversight and control of the accounting department. Due to his poor health and extensive time away from work due to his illness, his duties had been delegated to the Chief Accounting Officer.

Effect

The system of checks and balances that had been in place in prior years was eliminated and resulted in the lack of segregation of accounting duties resulting in an environment that does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Plan of Corrective Action

Management will encourage the Board of Directors of the Council to hire a competent Executive Director as soon as possible in order to re-establish the system of accounting checks and balances as had been in place in prior years.

Contact Person Responsible for Corrective Action:

Reece Middleton  
Executive Director  
Louisiana Association on Compulsive Gambling  
2000 Fairfield Avenue  
Shreveport, LA 71104-2099  
(318) 222-7657

Anticipated Completion Date for Plan of Action:

Prior to June 30, 2004.