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Restoration Center, Inc.

FINANCIAL STATEMENTS
As of and for the year ended
December 31, 2006

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 6/11/08

Deborah D. Dees, MBA, CPA
122 Jefferson Street
Mansfield, Louisiana 71052
318-872-3007

RESTORATION CENTER, INC
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December 31, 2006

Deborah D. Dees, MBA, CPA

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Board of Directors
Restoration Center, Inc.
Mansfield, Louisiana

I was engaged to audit the accompanying statement of assets, liabilities, and net assets—modified cash basis of the Restoration Center, Inc., as of December 31, 2006, and the related statement of support, revenue, and expenses—modified cash basis for the year then ended. These financial statements are the responsibility of the Restoration Center, Inc.'s management.

For the year ended December 31, 2006, the entity did not retain adequate documentation supporting the basis, amounts, or nature of grant disbursements. Because the Restoration Center lacks satisfactory documentation, I was unable to obtain sufficient evidential matter supporting grant expenditures.

Since the entity has incomplete and inadequate records to support grant expenses, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on these financial statements referred to in the first paragraph.

As described in note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have issued my report dated April 25, 2008, on my consideration of the Restoration Center, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The accompanying schedule of income and operating expenses by grant is presented for purposes of additional analysis as required by *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Restoration Center, Inc. This schedule of income and operating expenses by grant has not been subjected to audit procedures, and accordingly, no opinion is being expressed thereon.

Deborah D. Dees, CPA

Mansfield, Louisiana
April 25, 2008

Restoration Center, Inc.

Statement of Assets, Liabilities, and Net Assets--Modified Cash Basis

December 31, 2006

ASSETS		
Current Assets:		
Cash and cash equivalents	$	27,162
Accounts Receivable		3,668
Total Current Assets		30,830
Property and equipment, net		5,891
TOTAL ASSETS	$	36,721

LIABILITIES AND NET ASSETS		
Current Liabilities:		
Bank Overdraft	$	667
Total Current Liabilities		667
Net Assets:		
Unrestricted		36,054
Total Net Assets		36,054
TOTAL LIABILITIES AND NET ASSETS	$	36,721

The accompanying notes are an integral part of the financial statements.

Restoration Center, Inc.

Statement of Support, Revenue, and Expenses--Modified cash basis
For the year ended December 31, 2006

		Unrestricted
Revenue and Support:		
Grant income		
Teen Pregnancy Prevention	$	196,694
Summer Feeding Program		111,382
After School for All		70,696
Other income		52
Total revenue and support		378,824
Expenses:		
Program services		
Teen Pregnancy Prevention		132,326
Summer Feeding Program		98,155
After School for All		77,957
Supporting services		
General and administrative		35,910
Depreciation		1,428
Total expenses		345,776
Increase (decrease) in net assets		33,048
Total net assets, December 31, 2005		3,006
Total net assets, December 31, 2006	$	36,054

The accompanying notes are an integral part of the financial statements.

Restoration Center, Inc.

Statement of Cash Flows
For the year ended December 31, 2006

Cash flows from operating activities:		
Increase in net assets	$	33,049
Adjustments to reconcile change in net assets to net cash (used) or provided by operating activities:		
Depreciation		1,428
Total adjustments		1,428
Net cash provided by operating activities		34,477
Cash flows from investing activities:		
Purchase of fixed assets		(6,945)
Net cash used by investing activities		(6,945)
Net increase (decrease) in cash and cash equivalents		27,532
Cash and equivalents, December 31, 2005		(1,037)
Cash and equivalents, December 31, 2006	$	26,495

Reconciliation of the Statement of Cash Flows to the Statement of Assets, Liabilites, and Net Assets - Modified Cash Basis

Cash Accounts:		
Teen Pregnancy Prevention Program	$	26,614
Summer Feeding Program		321
First Louisiana Bank		227
Total Cash Reported on Statement of Assets, Liabilities, and Net Assets		27,162
Less: Bank overdraft		
After School for All		(667)
Total cash, December 31, 2006	$	26,495

The accompanying notes are an integral part of the financial statements

RESTORATION CENTER, INC.
Notes to Financial Statements
December 31, 2006

Introduction

Restoration Center, Inc. is a private, nonprofit, faith-based community organization incorporated under the laws of the State of Louisiana. Restoration Center, Inc. counsels young teenagers concerning values and choices. It also supports five meal sites throughout DeSoto Parish, Louisiana during the summer. The organization is supported primarily by a Temporary Assistance for Needy Families (TANF) grant, a Summer Food Service grant and an After School for All grant through the Louisiana Department of Education. All of the Restoration Center's support for the year ended December 31, 2006 came from this state department.

Note A. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Grant revenue pledged and trade payables are not reported until the cash is received or disbursed.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, Restoration Center is required to report 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. The Restoration Center has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications.

Cash and/or Cash Equivalents

For the purposes of the statement of cash flows, the Restoration Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation as of December 31, 2006 insures the checking accounts at each institution. At December 31, 2006, the bank accounts totaled $26,495.

Property and Equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds therefore is subject to state regulations.

The Restoration Center follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of $100. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Computer equipment	3 years
Kitchen equipment	7 years

Fixed assets consists of computer equipment costing $1,116 and kitchen equipment costing $6,945 with accumulated depreciation of $2,169.

Depreciation expense for year end December 31, 2006, is $1,428.

Income Taxes

The Restoration Center is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Association is subject to taxation as unrelated business income. The Restoration Center had no such income for this audit period.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Support, Revenue, and Expenses. The expenses were allocated based on the actual program and supporting services benefited.

Revenue and Support

The Restoration Center receives its support primarily from the State of Louisiana, Department of Education. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received and classified as unrestricted revenue and support.

Compensated Absences

There are no provisions for vacation or sick leave, therefore compensated absences are not recorded in the financial statements.

Note B. Accounts Receivable

The accounts receivable consists of:

- A $3,500 loan repayment in 2004; proceeds of loan were not deposited in the bank and/or no expenditures were recorded.
- A $168 employee advance in 2004.
-

Note C. Federal Financial Assistance

During the year ended June 30, 2006, the Restoration Center, Inc. participated in the following federal financial assistance programs:

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Year	Grant Number	Revenue Recognized	Expenditures
United States Department of Agriculture					
Louisiana Department of Education					
Summer Food Service Program	10.559	2006	06-SFSP-021	$ 111,382	$ 98,154
United States Department of Health and Human Services					
Louisiana Department of Education					
Temporary Assistance to Needy Families					
Teen Pregnancy Prevention Program	93.558	2005-2006	CFMS 615893	196,694	167,218
United States Department of Education					
Louisiana Department of Education					
After School for All Alliance		2006		70,696	77,957
Total Federal Financial Assistance				$ 308,076	$ 265,373

Restoration Center, Inc. did not pass-through any of its federal awards to a sub-recipient during the fiscal year.

Restoration Center, Inc.

Schedule of Income, Operating Expenses and Supporting Services by Grant
For the year ended December 31, 2006

	TANF	Summer Feeding	After School For All	Totals
Grant Income	196,694	111,382	70,696	378,772
Total grant income	196,694	111,382	70,696	378,772
Operating Expenses:				
Auto	15,591	7,597	7,730	30,918
Awards/Banquet	1,217			1,217
Contract Labor	95,797	39,372	49,851	185,020
Field trips	1,428			1,428
Payroll taxes	1,122			1,122
Snacks and lunches	887	24,387	5,053	30,327
Student incentives	266			266
Student supplies	1,143			1,143
Training	2,500			2,500
Travel - lodging	1,574			1,574
Travel - mileage	10,802			10,802
Total Operating Expenses	132,327	71,356	62,634	266,317
Supporting Services:				
Custodial services	2,500		3,000	5,500
Insurance	3,450			3,450
Office supplies	5,611			5,611
Postage	148			148
Rent to Union Spring Church	10,000		1,504	11,504
Utilities to Union Spring Church	2,716	3,000	3,248	8,964
Depreciation	345	1,083		1,428
Other	267	26,798	15,323	42,388
Total Supporting Services	25,038	30,881	23,075	78,993
Total Expenses	157,365	102,237	85,709	345,311
Net increase (decrease) in net assets	$ 39,329	$ 9,145	$ (15,013)	$ 33,462

The accompanying notes are an integral part of the financial statements.

Deborah D. Dees, MBA, CPA

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CERTIFIED PUBLIC ACCOUNTANT

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

To the Board of Directors
Restoration Center, Inc.
Mansfield, Louisiana

I was engaged to audit the accompanying financial statements of the Restoration Center, Inc. (a nonprofit organization), as of and for the year ended December 31, 2006, and have issued my report thereon dated April 25, 2008. In my report, my opinion was disclaimed due to a scope limitation.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Restoration Center, Inc. internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Restoration Center, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Restoration Center, Inc.'s internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions; to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Restoration Center, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Restoration Center, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Restoration Center, Inc.'s internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These findings are 2006-1, 2006-2, and 2006-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Restoration Center, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above I consider all the findings to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Restoration Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, 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 is not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2006-4, 2006-5, 2006-6 and 2006-6.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal and state awarding agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deborah D. Dees, CPA

Deborah D. Dees, CPA
Mansfield, Louisiana
April 25, 2008

Restoration Center, Inc.
Schedule of Prior Audit Findings
For the Year ended December 31, 2006

SUMMARY OF AUDITOR'S RESULTS:

INDEPENDENT AUDITOR'S REPORT:

I was engaged to audit the Restoration Center, Inc. Mansfield, Louisiana, as of and for the year ended December 31, 2006, and have issued my report thereon dated April 25, 2008. My audit of the financial statements as of December 31, 2006 resulted in a qualified opinion because of a scope limitation. The entity has incomplete and inadequate records to support grant expenses.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Compliance

Compliance Material to Financial Statements	☒ Yes	☐ No

Internal Control

Material Weaknesses	☒ Yes	☐ No
Other Conditions	☒ Yes	☐ No

There was no management letter issued.

FEDERAL AWARDS

Not applicable

FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL FINDINGS

2006-1 Control over Disbursements

Criteria: OMB Circular No. A-87 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally-recognized Indian tribal governments. Attachment A, "General Principles for Determining Allowable Costs" Section C. Basic Guidelines (1) j states: To be allowable under Federal awards, costs must "Be adequately documented."

Conditions: For the year ended December 31, 2006, sixty disbursements totaling $266,247 were picked for testing various attributes. Any check written for over $2,000 (43) was chosen for review and another 17 were chosen randomly. Of the 60 disbursements tested, 20 (one-third) representing $136,698 (51%) were not properly supported with receipts documenting specific expenditures.

Findings:

1. Of the 20 checks not adequately substantiated, 13 were checks to Union Spring Baptist Church. (See 2006-2).

2. Also, while testing, two disbursements were noted paid to First Louisiana Bank and posted as an expense with the memo Notes Payable. Upon further inquiry, the auditor became aware that there were loans for the Summer Feeding Program and that there was also another bank account at First Louisiana Bank that was not recorded in the books. Additional investigation into this account revealed over $18,000 in disbursements that were not recorded in the organization's books or ledgers.

Restoration Center, Inc.

Schedule of Prior Audit Findings
For the Year ended December 31, 2006

Effect: Cash disbursement supporting documentation is not being properly accumulated. Documentation does not exist or is incomplete to support expenditures. Errors and omissions can occur and not be detected in a timely manner.

Cause: The Restoration Center, Inc. has failed to maintain detailed information needed to support program expenses. Management continues to ignore the need for proper internal control for good cash management practices.

Recommendation: Checks and other disbursements should be thoroughly and properly supported with invoices, and all documentation should be scrutinized and inspected before checks are signed in order to assure that the funds are available, invoices are present, and that the purpose of the disbursement is suitable to meet the needs of the grants.

Custody of the cash assets and signatory authority on the checking accounts should be removed from the president or his family members.

2006-2 Related Party Transactions

Criteria: The Restoration Center, Inc. is a faith-based non-profit entity with direct connections to Union Spring Baptist Church. The president of the Restoration Center is the pastor of Union Spring Baptist Church. Grants were written noting that the activities of the Restoration Center, Inc. would be conducted at the Union Spring Baptist Church Life Center. With this as context, the Church is due a reasonable reimbursement for its facilities and the pastor as the president of the Restoration Center is due a reasonable wage for his time and reimbursement of legitimate expenses.

Conditions: The cash disbursements funneled through Union Spring Baptist Church and/or paid to Joseph Hall are not substantiated by receipts or adequate evidence of costs reimbursed.

Findings:

1. Disbursements to Union Spring Baptist Church totaled $111,867 for the year ended December 31, 2006. These disbursements were made per invoice from Union Spring Baptist Church under the caption "Contract Services." There is no written contract with Union Spring Baptist Church. There are essentially no receipts or evidence of costs documenting the expenses paid on behalf of the Restoration Center. The reimbursements per the "invoices" and other findings are summarized below:

	Summer Feed	Teen Pregnancy	After School for All	Totals
Contract services:				
Rent	3,000	8,000	1,504	12,504
Utilities/Telephone/Internet		2,400	3,248	5,648
Custodial/Cleaning		2,500	3,000	5,500
Vehicle gas/maintenance	946	9,713	5,000	15,659
Bus/van transportation	2,000	12,500		14,500
Insurance		2,850		2,850
Reimbursements with receipts	5,650		700	6,350
Reimbursements without receipts	34,695	3,050	54	37,799
No receipt	2,358	6,200	2,500	11,058
	48,648	47,213	16,006	111,867

Restoration Center, Inc.
Schedule of Prior Audit Findings
For the Year ended December 31, 2006

The After School for All Program expenses appeared reasonable and were paid consistently throughout the year; albeit there is a $2,500 disbursement with no documentation. The other two programs have vague charges such as;

Operational/Travel June, July, August	5,500
Reimbursement Payroll Start-up Advance	2,200
Recreation Expenses	300
Mileage/Truck Rental	2,000
Reimbursement Food/Payroll/Mileage	11,000

These types of reimbursement invoices are classified reimbursements without receipts.

2. Disbursements to Joseph Hall, Jr, pastor of Union Spring Baptist Church and President of the Restoration Center, Inc. totaled $32,437 as follows:

25,724.00	payroll with time sheets
1,734.25	no receipts
4,207.78	invoices with no receipts
771.05	receipts/detailed expense report
32,437.08	

Eight-eight and one-half percent (88.5%) of the non-payroll disbursements to Mr. Hall did not have documentation to adequately support the expenditures. The time sheets in July indicate that Joseph Hall clocked and got paid for 73 hours by the Summer Feeding Program while also simultaneously working 62 hours for the After School Program and 19 hours for the Teen Pregnancy Program. In August, of the reported 18 hours worked for the After School Program; 14 ½ of those same hours were also reported as time worked for the Teen Pregnancy Program.

Effect: Management can override the need for **exact** and **literal** receipts by making up an "Invoice" from Union Spring Baptist Church and/or paying "per contract."

There is the possibility that expenses are duplicated. For example, the Church was reimbursed $15,659 for vehicle gas and maintenance, yet the Restoration Center paid an additional $7,124 in auto expenses. Most of these expenses were not documented with original receipts either by the Church or by the Restoration Center.

The rental costs under this "less-than-arms-length" arrangement may be unallowable under the guidelines of OMB Circular 87-A. The circular defines a less-than-arms-length lease as "one under which one party of the lease agreement is able to control or substantially influence the actions of the other."

Cause: The Restoration Center, Inc. has failed to maintain detailed information needed to support program expenses. Management continues to ignore the need for proper internal control for good cash management practices.

Recommendations: 1) Clear and concise written contracts with Union Spring Baptist Church should be obtained for each program outlining the monthly charges. The contract should include that reimbursements of expenses will only be paid with original receipts attached. 2) If the Restoration Center is in need of operational cash, Union Spring should advance a lump sum amount to the Center. The Center should then deposit the money in the appropriate account. This can then be recorded correctly in the records. The Center then pays their own bills or payroll so the expenses can be captured and posted aptly.

Restoration Center, Inc.
Schedule of Prior Audit Findings
For the Year ended December 31, 2006

2006-3 Financial Accounting System

Criteria: Best practices for financial management established by the AICPA states that an entity should adequately monitor and report grant activities. Louisiana Revised Statute 24:514 requires the entity to record and report financial transactions in accordance with prescribed accounting and reporting standards. The Teen Pregnancy Prevention grant agreement between the Office of Family Support and the Restoration Center under the caption "Record Retention and Inspection" reads: "The Contractor shall maintain books, records, documents and other evidence of cost...and shall maintain such books, records, documents and other evidence in accordance with generally accepted accounting procedures and practices, sufficient to reflect properly all direct and indirect cost which had been incurred."

Condition: The agency does not record all transactions relating to its operations in the accounting system to assure reporting accuracy or to meet the needs required for financial reporting.

Findings:

1. Banking transactions at First Louisiana Bank were not recorded for the entire year (see cash disbursement finding 2006-1)

2. The November and December Summer Feeding transactions were not recorded. In those statements two transfers were noted: 1) A $300 transfer to the Teen Pregnancy Prevention Program and 2) a $500 transfer into Joseph Hall's personal checking account.

3. When a sequence of checks was noted missing in the Teen Pregnancy checking account, it was discovered that 13 checks totaling $5,830 were being held by Union Spring Baptist Church. This represented payroll Union Spring paid for the Restoration Center in November. The checks were not recorded in the accounting system. The checks subsequently cleared the bank on March 19, 2007.

Effects: Lack of a properly operating financial accounting system can result in inaccurate, incomplete and untimely financial reporting.

Cause: Management of the Restoration Center, Inc. has failed to share vital information with the bookkeeper. Management continues to ignore the need for proper internal control for maintaining an accurate accounting system.

Recommendation: I recommend that the Board consider engaging an outside accountant to keep the accounting records and record and reconcile all the bank accounts monthly. The "outside" board members should request financial information quarterly to review.

COMPLIANCE FINDINGS:

2006-4 Violation of Louisiana Audit Law

Condition: The Restoration Center, Inc. failed to submit their annual financial statements within the required time period.

Criteria: Louisiana Revised Statutes require the Restoration Center, Inc. to submit annual financial statements to the Louisiana Legislative Auditor within six (6) months of the end of the fiscal year.

Effect: The Restoration Center, Inc. is in violation of the Louisiana Audit Law.

Cause: The December 31, 2006 year end records were not provided to the auditor until June 25, 2007, five days before the due date of the audit. While conducting procedures, it was noted that the books and records were incomplete.

Recommendation: I recommend that the Restoration Center, Inc. have all of its financial records completed and made available to its auditors within 45 days of its fiscal year end.

2006-5 Failure to withhold income taxes

Criteria: The term employer includes not only individuals and organizations engaged in a trade or business, but tax-exempt organizations as well. Tax-exempt organizations (also known as nonprofit organizations) include religious and charitable organizations, business leagues, trade associations, educational institutions, social organizations, labor unions, hospitals, and fraternities. The general rule is that nonprofit organizations (like other employers) must withhold employment taxes from their employees' wages and pay their portion of FICA and FUTA taxes.

Condition: The Restoration Center, Inc. failed to withhold income taxes from employee wages or file payroll compliance reports to the Internal Revenue Service and the Social Security Administration.

Findings:

1. A total of $202,216 was paid by the Restoration Center to 61 individuals that could be classified as employees. "Employee sign-in sheets" signed by the individuals and the program director or "payroll" expense reports were used to calculate the monthly expenses. The expenses were recorded in the various grant "payroll" accounts. There were no employment taxes withheld from these wages and no employer portion of the taxes was remitted to the Internal Revenue Service or State of Louisiana.

2. Management provided us with original copies of 11 Form 1099 copy A's (copy to be sent to the IRS) but no copy of a 1096 transmittal form. These are forms provided for independent contractors. The 1099's, totaling only $73,850, had not been filed. There was no 1099 to Joseph Hall although he had received $25,724. (See 2006-2 Findings)

3. The accounting system failed to capture all the payments to these individuals. Payroll transactions from the First Louisiana Bank (See 2006-1 Finding 2) totaled $12,283 for the Summer Feeding Program. It is unknown exactly how much Union Spring Baptist Church was reimbursed for paying to the Restoration Center's employees, but $3,910 was extracted from the Union Spring June and August bank statements provided to us. The Teen Pregnancy Prevention grant November payroll for $5,830 was not recorded (See 2006-3 Finding 2)

The following item were also noted concerning the agency's federal filing requirements:

- Form 990 Return of Organization Exempt from Income Tax has not been timely filed for 2005.

Effect: Employment laws and regulations have been violated and may result in fines, penalties, or litigation.

Cause: The Restoration Center withheld and filed payroll reports in 2003 and 2004. The reason it was discontinued in 2005 and 2006 is unknown.

Recommendation: The Restoration Center, Inc should comply with the provisions of state and federal tax laws by reporting and withholding the proper amount of taxes from employee wages.

Restoration Center, Inc.
Schedule of Prior Audit Findings
For the Year ended December 31, 2006

OTHER MATTERS:

2006-6 Unallowed costs

Criteria: OMB Circular 87 and FNS Instruction 796-4, Rev. 4 describe unallowable costs for which program funds may not be disbursed.

Condition: Fines and penalties and interest on borrowings are recorded as transactions for the Restoration Center.

Findings:

1. Interest paid on the First Louisiana Bank loan of $467 was paid from the Teen Pregnancy Prevention account.

2. A check for $1,885 to the United Stated Treasury was found in the First Louisiana Bank check register. There is no documentation in the records for the expenditure, but since the Center has not withheld taxes from their employees since 2004, part of that disbursement could possibly be penalties and interest attributable to a prior year.

Effect: These disbursements may be reviewed as unallowable to be paid from grant revenue and have to be refunded.

Cause: Management is unfamiliar with the grant regulations.

Recommendation: If these costs are deemed unallowable, a refund should be submitted to the appropriate agency.

Restoration Center, Inc.
Schedule of Prior Audit Findings
For the Year ended December 31, 2006

There were four findings related to the financial statements for the year ended December 31, 2005, as follows:

Finding No.	Prior Audit Finding	Status
2005-1	Control over Disbursements/Separation of Duties: Of the 60 disbursements tested, 26 representing $40,218 (38%) were not preperly supported with invoices, receipts, expense reports or time sheets or included in a W-2 or 1099 as per IRS guidelines. The same person performs a variety of duties relating to cash disbursements that are incompatible for the proper system of check and balances.	Unresolved. See Finding 2006-1
2005-2	Financial Accounting System: The agency does not utilize a proper accounting system (computerized and/or manual) to assure reporting accuracy or to meet the needs required for financial reporting.	Unresolved. See Finding 2006-3
2005-3	Violation of Louisiana Audit Law: The Restoration Center failed to submit their annual financial statements within the required time period.	Unresolved. See Finding 2006-4
2005-4	Summer Feeding Program "Employees" were paid lump sum amounts with no taxes withhold or paid on the amounts.	Unresolved. See Finding 2006-5

RESTORATION CENTER, INC.
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Legislative Auditor,

I would like to comment on the findings in my 2006 audit:

2006-1

We were unable to obtain a complete list of the transactions in question from the auditor in order to complete our follow-up. All of our disbursements were properly supported by either a vendor invoice, a receipt or an invoice issued by Union Spring Church to Restoration Center, as previously suggested by the auditor. The disbursements are also supported by a contract between the church and the center's contracts with grantors.

The initial failure to provide the loan agreement and related bank statements to the auditor was an oversight. When the auditor inquired about the payments, we provided the necessary information. There was little activity in the account.

We will maintain more detailed support in the future and will endeavor to provide all significant available documents to the auditor at the beginning of the audit. Additionally, we have engaged the services of a CPA firm to maintain our general ledger, prepare financial statements, file payroll tax reports, prepare the center's Form 990 and to provide guidance as necessary.

It should be noted that the 2006 audit report is dated April 25, 2008. Therefore, we will take corrective action as much as possible with respect to 2007 operations and the first four months of 2008 operations.

2006-2

Please see our response to 2006-1. Again we were unable to obtain a complete list of the transactions in question in order to complete our follow-up. We have reimbursed the church and others only when appropriate. From this date forward, when the church loans the center funds for operations, we will record them as such and issue our own checks for our expenses.

2006-3

Please see the responses above. We did not intentionally withhold information or data from either our bookkeeper or our auditor.

2006-4

Except as described above, we provided our records to the auditor in May of 2007. The new CPA firm is in the process of preparing our 2007 financial statements. As the auditor's report was issued in late April 2008, we are concerned that we will not be able to obtain a 2007 audit report by June 30, 2008 deadline. However, we will endeavor to do so. Also, we are certain that we can meet the deadline for the 2008 financial statements and are commented to do so as evidenced by the engagement of the new CPA firm.

2006-5

Please see the responses above. The CPA firm is in the process of preparing the delinquent tax returns and will prepare Form 990.

2006-6

Unallowed costs

We will reimburse the programs for the costs in question with nongrant funds.

Thank you for your consideration in this matter,

Thomas D. [signature]