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**COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.**

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 5.5.04

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
Council on Alcoholism and Drug Abuse
Of Northwest Louisiana, Inc.
Shreveport, Louisiana

We were engaged to audit the accompanying statement of financial position of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (a non-profit organization) as of June 30, 2003, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Council's management.

The Council converted payroll systems during the fiscal year ended June 30, 2003. The conversion involved after-the-fact payroll entry as well as current payroll data entry. Reconciliations of payroll expenses and liabilities were not performed by payroll date. As a result, the payroll records available during our engagement did not permit, nor did the time constraints of the engagement permit, the application of other auditing procedures to payroll expenses incurred during the year or to the related payroll liabilities accrued at year end.

Since we were not able to apply auditing procedures to satisfy ourselves as to the payroll expenses incurred during the fiscal year ended June 30, 2003, nor to the related payroll liabilities accrued as of June 30, 2003, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2004, on our consideration of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

The accompanying schedules of expenditures of federal awards and state contracts are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.


Youngblood & Hodges
A Professional Accounting Corporation

April 24, 2004

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	<u>ASSETS</u>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<u>Current assets:</u>			
Cash on hand and in bank, including \$-0- bearing interest	\$ 22,135		\$ 22,135
Food stamps	974		974
Accounts receivable	262,330	33,750	296,080
Due from affiliated organization	85,876		85,876
Other current assets	<u>25,000</u>		<u>25,000</u>
Total current assets	<u>396,315</u>	<u>33,750</u>	<u>430,065</u>
 <u>Property and equipment:</u>			
Buildings & land	1,762,386		1,762,386
Leasehold improvements	434,374		434,374
Furniture and fixtures	26,989		26,989
Equipment	<u>411,371</u>		<u>411,371</u>
Total property and equipment	2,635,120		2,635,120
Less: Accumulated depreciation	<u>(624,705)</u>		<u>(624,705)</u>
Net property and equipment	<u>2,010,415</u>		<u>2,010,415</u>
 <u>Other assets</u>			
Deposits	<u>2,520</u>		<u>2,520</u>
 Total assets	 <u>\$ 2,409,250</u>	 <u>\$ 33,750</u>	 <u>\$ 2,443,000</u>

See independent auditor's report and notes to financial statements

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Current liabilities:</u>			
Bank overdraft	\$ 60,099		\$ 60,099
Accounts payable	76,479		76,479
Payroll taxes payable	222,543		222,543
Unearned income	51,500		51,500
Accrued interest payable	6,787		6,787
Other-ADAC fund payable	1,730		1,730
Note payable – current portion	<u>284,513</u>		<u>284,513</u>
Total current liabilities	<u>703,651</u>		<u>703,651</u>
 <u>Long-term liabilities:</u>			
Note payable – net of current portion	<u>501,190</u>		<u>501,190</u>
 Total liabilities	 <u>1,204,841</u>		 <u>1,204,841</u>
 <u>Net assets:</u>			
Net assets	<u>1,204,409</u>	<u>33,750</u>	<u>1,238,159</u>
 Total liabilities and net assets	 <u>\$ 2,409,250</u>	 <u>\$ 33,750</u>	 <u>\$ 2,443,000</u>

See independent auditor's report and notes to financial statements

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Public support:</u>			
United Way	\$ 11,250	\$ 33,750	\$ 45,000
Memberships and contributions	39,891		39,891
HUD Grant Income	125,000		125,000
SBA grant income	<u>168,830</u>		<u>168,830</u>
Total public support	<u>344,971</u>	<u>33,750</u>	<u>378,721</u>
<u>Revenues:</u>			
Management contracts – City, state and federal government	2,006,886		2,006,886
Annual meeting and seminars	8,196		8,196
Client payments	39,688		39,688
Government assistance – Clients	98,440		98,440
Management contract – Related entity	727,645		727,645
Miscellaneous income	96,702		96,702
Interest	<u>242</u>		<u>242</u>
Total revenues	<u>2,977,799</u>		<u>2,977,799</u>
Total public support and revenues	<u>3,322,770</u>	<u>33,750</u>	<u>3,356,520</u>
<u>Expenses:</u>			
Salaries	2,151,226		2,151,226
Payroll taxes	256,431		256,431
Building rent	109,051		109,051
Equipment rent and lease	2,021		2,021
Fundraising expense	260		260
Utilities and telephone	143,890		143,890
Auto expenses	42,431		42,431
Insurance	217,800		217,800
Training and travel	25,395		25,395
Annual meeting	6,710		6,710
Food	147,943		147,943
Maintenance and repair	38,717		38,717
Supplies	108,377		108,377
Printing and literature	17,829		17,829
Depreciation	112,846		112,846
Professional services	273,608		273,608
Advertising and promotion	9,076		9,076
Interest expense	36,945		36,945
Other	<u>75,570</u>		<u>75,570</u>
Total expenses	<u>3,776,126</u>		<u>3,776,126</u>
Increase (decrease) in net assets	<u>(453,356)</u>	<u>33,750</u>	<u>(419,606)</u>

(Continued)

See independent auditor's report and notes to financial statements

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
 OF NORTHWEST LOUISIANA, INC.
 STATEMENT OF ACTIVITIES
 (Continued)
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Increase (decrease) in net assets	(453,356)	33,750	(419,606)
Net assets – June 30, 2002	1,624,015	33,750	1,657,765
Transfers – release of restrictions	<u>33,750</u>	<u>(33,750)</u>	<u> </u>
Net assets – June 30, 2003	<u>\$ 1,204,409</u>	<u>\$ 33,750</u>	<u>\$ 1,238,159</u>

(Concluded)

See independent auditor's report and notes to financial statements

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Cash flows from operating activities:

Increase (decrease) in net assets	\$ (419,606)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	112,846
(Gain) loss on disposal of property	(2,500)
(Increase) decrease in accounts receivable	(1,090)
(Increase) decrease in food stamps	807
(Increase) decrease in other assets	(2,520)
Increase (decrease) in bank overdraft	60,099
Increase (decrease) in accounts payable	(20,882)
Increase (decrease) in accrued liabilities	(23)
Increase (decrease) in payroll taxes payable	81,038
Increase (decrease) in unearned income	27,750
Increase (decrease) in interest payable	<u>(2,588)</u>
Total adjustments	<u>252,937</u>
Net cash provided (used) by operating activities	<u>(166,669)</u>

Cash flow from investing activities:

Cash payments for the purchase of equipment	(39,343)
Cash payments for the purchase of property	(5,110)
Cash payments for the purchase of leasehold improvements	<u>(3,652)</u>
Net cash provided (used) by investing activities	<u>(48,105)</u>

Cash flow from financing activities:

Proceeds from issuance of long-term debt	200,000
Principal payments on long-term debt	<u>(78,593)</u>
Net cash provided (used) by financing activities	<u>121,407</u>

Net increase (decrease) in cash and equivalents	(93,367)
Cash and equivalents, beginning of year	<u>115,502</u>
Cash and equivalents, end of year	<u>\$ 22,135</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest expense	<u>\$ 39,533</u>
Income Tax	<u>\$ 0</u>

See independent auditor's report and notes to financial statements

COUNCIL ON ALCOHOLISM AND DRUG ABUSE OF NORTHWEST LOUISIANA, INC.
 Statement of Functional Expenses
 For the Year Ended June 30, 2003

	PROGRAM SERVICES											SUPPORT SERVICES		Total Expenses
	Caddo-Bossier Center Program	Adolescent Center Program	Buckhalter Program	Employee Assistance Program	STEPS	Family Success Institute	Mansfield Drug Court	Caddo Adult Drug Court	Caddo Juvenile Drug Court	Biedenharn	Management and General			
Salaries	\$ 139,334	\$ 394,686	\$ 145,809	\$ 167,015	\$ 128,054	\$ 132,141	\$ 57,417	\$ 67,883	\$ 62,301	\$ 82,716	\$ 773,870	\$	\$ 2,151,226	
Payroll taxes	15,998	43,701	16,218	18,767	14,404	14,552	6,634	7,566	6,701	9,291	102,599		256,431	
Building rent	15,110	15,532	9,688	6,640	5,499	1,673	9,904	294	14,795	27,719	2,197		109,051	
Equipment rent and lease	2	107	108	125	2	554	96	24	117	248	638		2,021	
Fundraising expense	-	-	-	-	-	-	-	-	-	-	260		260	
Utilities and telephone	28,190	27,542	980	10,646	21,067	14,667	3,263	5,742	7,768	10,487	13,538		143,890	
Auto expenses	7,877	7,708	1,532	3,099	1,350	7,087	2,128	158	208	4,327	6,957		42,431	
Insurance	17,748	43,726	11,099	15,382	7,096	11,853	5,270	4,808	1,639	5,812	93,367		217,800	
Training and travel	1,052	2,179	1,245	6,220	1,663	2,239	189	1,267	2,964	1,161	5,216		25,395	
Annual meeting	-	-	-	-	-	-	-	-	-	-	6,710		6,710	
Food	24,738	46,844	58,475	29	1,368	16,123	-	-	29	295	42		147,943	
Maintenance & repair	7,291	7,452	1,464	3,142	2,123	5,119	559	1,346	1,426	1,308	7,487		38,717	
Supplies	18,875	20,337	18,971	4,454	11,702	12,241	2,969	2,769	2,458	4,045	9,556		108,377	
Printing and literature	625	794	519	8,039	360	665	463	651	564	1,781	3,368		17,829	
Depreciation	14,651	12,528	5,377	-	14,519	1,680	695	-	-	1,823	61,573		112,846	
Professional services	12,368	21,976	18,586	15,403	4,362	46,059	48,528	16,034	17,955	3,850	68,487		273,608	
Advertising and promotion	-	-	-	7,777	-	46	147	10	10	317	769		9,076	
Interest expense	-	-	-	-	-	-	-	-	-	-	36,945		36,945	
Other	3,196	8,650	7,471	4,843	5,832	5,651	1,901	847	1,522	6,878	28,779		75,570	
TOTAL	\$ 307,055	\$ 653,762	\$ 297,542	\$ 271,581	\$ 219,401	\$ 272,350	\$ 140,163	\$ 109,399	\$ 120,457	\$ 162,058	\$ 1,222,358	\$	\$ 3,776,126	

See independent auditor's report and notes to financial statements

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES

Organization

The Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. is a non-profit corporation. The purpose of the Council is to continue heightening public awareness that alcoholism and drug addictions are preventable and treatable diseases, through a combined strategy of education, public policy changes and the efforts of individuals, families and all elements of the community working in concert. The Council operates an information center providing a wide variety of information and referrals. The Council also operates the Caddo Bossier Center, the Adolescent Center and the Buckhalter Hotel that provide long-term residential treatment for adults and teens.

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:

Buildings	39 years
Leasehold improvements	20 – 25 years
Furniture and fixtures	7 years
Equipment	5 – 15 years

Provision for Income Taxes

No provision for income taxes is reflected in the statements as the Council 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 that are readily convertible into cash within ninety (90) days of purchase.

Functional Allocation of Expenses

The costs of providing the Council's various programs and supporting services 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.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally 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. The organization has not accrued compensated absences because the amount cannot be reasonably estimated.

Advertising Costs

Advertising costs are expensed in the year incurred. Advertising costs expensed during the year amounted to \$9,076.

Support and Revenue

The Council 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 fees and food stamp income in determining grant funds to be recognized. The Council receives client fees and food stamp income for billable client services and recognizes 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 Council 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 Council'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 presented as contribution revenue.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2003

(2) LEASES

The Council leases the facilities that house its Caddo-Bossier Center on a ten (10) year basis for \$1 per year beginning July 1, 1997, and ending June 30, 2007. The Caddo-Bossier Center moved part of its program into a building owned by the Council. The Council allocated a rental rate of \$1,000 per month to the Caddo-Bossier Center program.

The Council leases the building that houses its accounting staff and EAP program staff for \$1,400 per month. Lease payments for the year ended June 30, 2003, amounted to \$14,000. Future minimum lease payments under the lease agreement are as follows:

<u>Years ended June 30:</u>	
2004	\$ 16,800
2005	8,400

All leases are accounted for as operating leases.

(3) CONCENTRATIONS

Approximately 39% of the Council's total revenue comes from contracts with the State of Louisiana. However, the revenue is divided among seven separate contracts, thus reducing the possibility of a severe adverse effect upon the Council if an individual contract is lost.

(4) CASH

At various times during the fiscal year, the Council's cash in bank balances exceeded the Federally insured limits. At June 30, 2003, the Council had no uninsured balances.

(5) RELATED PARTY TRANSACTIONS

The Council entered into transactions with Louisiana Association on Compulsive Gambling (LACG), a non-profit organization related through common management. The Council owns a building (separate from the Council's main office) that it leases to LACG. 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 LACG that LACG 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 LACG does not make monthly payments or elects not to occupy the leased premises, the balance of the remaining

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2003

(5) RELATED PARTY TRANSACTIONS (Continued)

deposit will be forfeited to the Council. The Council received \$27,750 in management fees from LACG for the administrative costs of managing LACG's contracts and maintaining its accounting records. The Council also processes LACG's payroll under the Council's name; the Council is reimbursed by LACG for the total cost of the payroll and associated payroll taxes and benefits. The Council had a receivable due from LACG for payroll, rent, and expenses at June 30, 2003, of \$77,187. Also, see Note 8.

The Council also rented two other buildings to LACG for use in two of LACG's programs. Total rent income recognized by the Council on these buildings during the fiscal year ended June 30, 2003, was \$69,600.

The Council also entered into transactions with a company partially owned by one of the Council's board members. These transactions were entered into during the normal course of the Council'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 \$14,915. Accounts payable at June 30, 2003, included \$1,071 payable to this company.

(6) NOTES PAYABLE

Notes payable at June 30, 2003, consist of the following:

Note payable to AmSouth Bank, interest at 5.00%, \$3,267 monthly principal and interest through September 1, 2006, at which time a balloon payment of the balance of the note is due; secured by real estate.	\$ 348,979
Note payable to AmSouth Bank, interest at 5.00%, \$1,591 monthly principal and interest through January 6, 2007, at which time a balloon payment of the balance of the note is due; unsecured.	134,151
Line of Credit with AmSouth Bank, interest at AmSouth Prime Rate plus 0.25%, interest due monthly, principal and accrued interest due April 15, 2004.	199,574
Note payable to Cambridge Care, LLC, at 6.25%, \$56,376 annual principal and interest through July 20, 2004; secured by real estate.	<u>102,999</u>
Total notes payable	785,703
Less: Current portion notes payable	<u>284,513</u>
Long-term portion notes payable	<u>\$ 501,190</u>

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2003

(6) NOTES PAYABLE (Continued)

Current maturities of long-term debt are as follows:

<u>Years ended June 30:</u>	
2004	\$ 284,513
2005	89,851
2006	38,673
2007	<u>372,666</u>
Total long-term debt	<u>\$ 785,703</u>

Interest expense for the year ended June 30, 2003, was \$36,945 and was charged to operations.

The original AmSouth Line of Credit (LOC) dated August 2, 2002 was for \$100,000 and was due in full August 1, 2003. The original \$100,000 was rolled over into a new note dated April 17, 2003, and the LOC was increased by \$100,000. The resulting \$200,000 balance of principal and the interest on the LOC are due on demand. If not sooner demanded, the interest on the LOC is payable in monthly installments and the principal and any unpaid interest on the LOC is payable in full on April 15, 2004. Also, see Note 8.

(7) CONTINGENT LIABILITIES

The Council was delinquent on Form 941 payroll taxes for the 4th quarter 2002 and the 1st and 2nd quarters of 2003. The Council paid the delinquent taxes and the IRS waived the penalty on the 1st quarter of 2003. As of April 24, 2004, confirmation of waived penalty by the IRS for the 4th quarter 2002 and the 2nd quarter 2003 had not been received. The effect of possible additional liability on the financial statements has not determined.

The Council was also delinquent on Louisiana state withholding taxes for the 1st and 2nd quarters of 2003. The taxes due, including interest, were paid in October 2003.

Payroll records, including gross payroll and payroll-related liabilities, were not reconciled to the general ledger for the year ended June 30, 2003. The effect of possible additional liability on the financial statements has not been determined.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2003

(8) SUBSEQUENT EVENTS

The Council became delinquent in Form 941 tax remittances in 2004. The penalty and interest on the Form 941 tax late payments during the subsequent fiscal year are unknown.

The Council became delinquent in Louisiana state tax remittances in the 3rd and 4th quarters of 2003 and the 1st and 2nd quarters of 2004. State withholding tax payments for two payroll periods have not been remitted to the state as of April 21, 2004. The penalty and interest on the state withholding tax late payments and unpaid taxes during the subsequent fiscal year are unknown.

The Council received \$25,000 in February 2004 in repayment of the Council's investment in a joint venture with a related entity. Also, see Note 5.

The AmSouth Line of Credit with a principal balance of \$199,574 was due April 15, 2004. The Council entered into negotiations with the bank and AmSouth has approved a three-month extension. Also, see Note 6.

The Council made a partial payment of the scheduled installment payment due on July 20, 2003, to Cambridge Care, LLC. The Council remained in default on this note payable until August 19, 2003, when the balance of the installment payment was made and brought current. Also, see Note 6.

A new Executive Director was hired effective April 22, 2004.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Halfway House	93.959	9-8351	\$ 120,994
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Halfway House (*)	93.959	9-8351	572,065
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Halfway House	93.959	9-8351	149,500
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Halfway House	93.959	9-8351	140,000
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Halfway House (*)	93.959	9-8351	274,956
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Outpatient Treatment	93.959	9-8351	30,000
Pass-through program from Louisiana Department of Health and Hospitals Office For Addictive Disorders – Outpatient Treatment	93.959	9-8351	<u>168,830</u>
Total expenditures of federal awards			<u>\$ 1,456,345</u>

(*) Indicates Major Program.

This schedule of expenditures of federal awards includes the federal grant activity of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
SCHEDULE OF STATE CONTRACTS
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>Buckhalter Hotel</u> 71686 (*)	07/01/02-06/30/03	\$ 149,500	\$ 149,500	\$ 149,500
<u>Caddo-Bossier Center</u> 71588 (*)	07/01/02-06/30/03	120,994	120,994	120,994
<u>Adolescent Center</u> 71597 (*)	07/01/02-06/30/03	590,972	572,065	572,065
<u>Mansfield ADAC</u> 71496 (*)	07/01/02-06/30/03	30,000	30,000	30,000
<u>S.T.E.P.S.</u> 72473 (*)	07/01/02-06/30/03	140,000	140,000	140,000
<u>HBPA Substance Abuse</u> 72231	07/01/02-06/30/03	35,000	35,000	35,000
<u>Family Success Institute</u> 71909 (*)	07/01/02-08/31/03	410,454	274,956	274,956

(*) Indicates federal awards. All federal award programs are CFDA No. 93.959. Total expenditure of federal awards is \$1,287,515.

This schedule of state contracts includes the Louisiana Department of Health and Hospitals Office for Addictive Disorders contract activity of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. 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
Council on Alcoholism and Drug Abuse
Of Northwest Louisiana, Inc.
Shreveport, LA

We were engaged to audit the financial statements of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (a non-profit organization) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 24, 2004.

Compliance

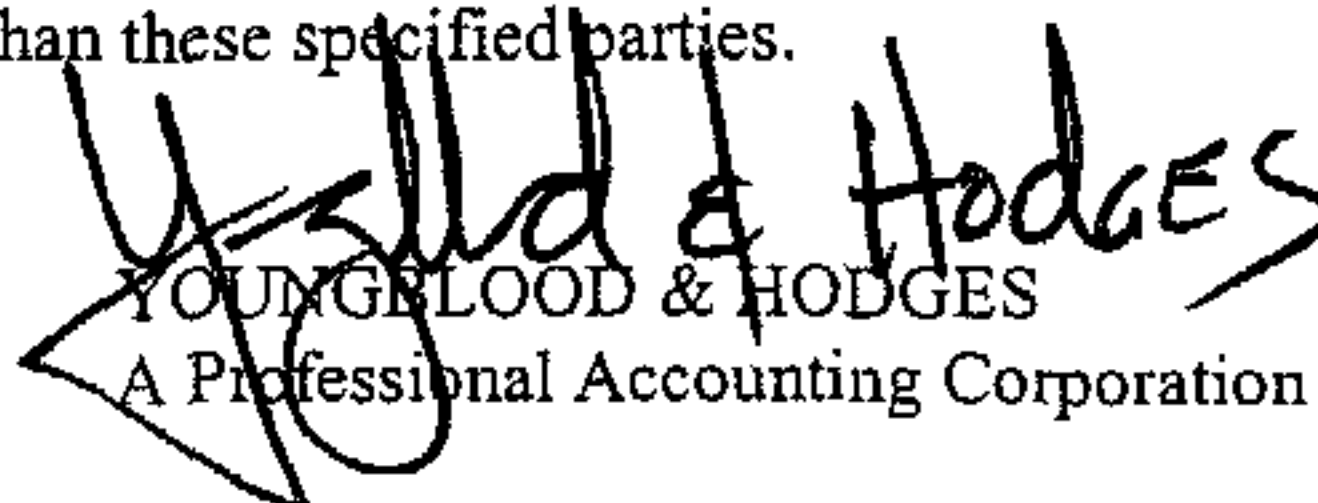
As part of obtaining reasonable assurance about whether the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance 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 the above referenced engagement, 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 the above referenced engagement, we considered the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s 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 The Council'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 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 six of the reportable conditions referred to above to be a material weakness 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

April 24, 2004

YOUNGBLOOD & HODGES

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Council on Alcoholism and Drug Abuse
Of Northwest Louisiana, Inc.
Shreveport, LA

Compliance

We were engaged to audit the compliance of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (a non-profit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Council's management.

The Council converted payroll systems during the fiscal year ended June 30, 2003. The conversion involved after-the-fact payroll entry as well as current payroll data entry. Reconciliations of payroll expenses and liabilities were not performed by payroll date. As a result, the payroll records available during our engagement did not permit, nor did the time constraints of the engagement permit, the application of other auditing procedures to payroll expenses incurred during the year or to the related payroll liabilities accrued at year end.

Since we were not able to apply auditing procedures to satisfy ourselves as to the payroll expenses incurred during the fiscal year ended June 30, 2003, nor to the related payroll liabilities accrued as of June 30, 2003, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion as to whether the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. complied, in all material respects, with the requirements that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted six matters involving the internal control over compliance and its operation that we consider to be 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

April 24, 2004

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
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

The Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. failed to comply with state law (LA R.S. 24:513) since the annual financial report was submitted to the Louisiana Legislative Auditor's Office after December 31, 2003, the six-month statutory issue date.

Reasons for Noncompliance

The Council's accounting records were not made available for audit in sufficient time to complete the audit by the statutory deadline due to the following:

- Dan Talley, the Executive Director of the Council was ill and had suffered deteriorating health.
- 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.
- The Chief Administrative 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

See "Management's Plan of Corrective Action" report included with this audit package.

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 April 24, 2004.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
SCHEDULE OF REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES
FOR THE YEAR ENDED JUNE 30, 2003

We noted the following matters involving the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s internal control over financial reporting and its operation that we consider to be reportable conditions:

- (1) Reconciliations of payroll expenses and related payroll liabilities were not performed.
- (2) Cash accounts not reconciled on a monthly basis.
- (3) Financial statements not prepared and reconciled on a monthly basis.
- (4) Lack of segregation of duties with respect to the person making adjustments to the financial records.
- (5) Blank check stock is not stored in locked/secured cabinet and access to checks is not controlled; checks are not issued in sequential order; and blank checks are signed and left with accounting personnel.
- (6) The Council's check signature policies have not been followed.
- (7) Payroll taxes not paid timely and payroll reports not filed timely.
- (8) General ledger distribution codes were not readily available for application of audit procedures.
- (9) Accounting records are not filed in a consistent manner.

Of the reportable conditions described above, we consider items (1) through (6) 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 April 24, 2004.

Plan of Corrective Action

See "Management's Plan of Corrective Action" report included with this audit package.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE
OF NORTHWEST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes.

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes.

Noncompliance material to financial statements noted? Yes.

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes.

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes.

Type of auditor's report issued on compliance for major programs:

Adolescent Center Halfway House – disclaimer

Family Success Institute – disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes.

Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Adolescent Center Halfway House
93.959	Family Success Institute

Dollar threshold used to distinguish between type A and type B programs: \$300,000.
Auditee qualified as low-risk auditee? No.

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MANAGEMENT LETTER

We were engaged to audit the financial statements of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. as of and for the year ended June 30, 2003, and have issued our report thereon dated April 24, 2004.

During the course of our engagement, we became aware of the following matters which represent deviations from applicable laws and regulations and the maintenance of adequate internal controls.

2003-1. Noncompliance with state law.

Condition

The Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. failed to comply with state law since the annual financial report was not submitted to the Louisiana Legislative Auditor's Office on or before December 31, 2003.

Criteria

State law (LA R.S. 24:513) provides a six-month period in which to submit the annual financial report to the Office of the Legislative Auditor.

Cause

The Council's accounting records were not made available for audit in sufficient time to complete the audit by the statutory deadline due to the following:

- Dan Talley, the Executive Director of the Council was ill and had suffered deteriorating health.
- 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.
- The Chief Administrative 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.

Effect

The Council is not in compliance with state law.

Recommendation

An outside accounting firm should be retained to assist the Council's accounting staff to bring the accounting records up-to-date.

Management's response

See document titled "Management's Response."

2003-2. Reconciliations of payroll expenses and related payroll liabilities were not performed.

Condition

Payroll records (including gross payroll and payroll-related liabilities) were not reconciled to the general ledger.

Criteria

Good internal control and the maintenance of adequate records require that gross payroll and payroll liabilities agree to the general ledger.

Cause

The Council converted payroll systems during the fiscal year ended June 30, 2003. The conversion involved after-the-fact payroll entry as well as current payroll data entry. Reconciliations of payroll expenses and liabilities were not performed by payroll date.

Effect

The payroll records available during our engagement did not permit, nor did the time constraints of the engagement permit, the application of other auditing procedures to payroll expenses incurred during the year or to the related payroll liabilities accrued at year end.

Recommendation

Reconciliations of payroll expenses and related payroll liabilities should be performed by payroll date.

Management's response

See document titled "Management's Response."

2003-3. Cash accounts not reconciled on a monthly basis.

Condition

Cash accounts were not reconciled to the general ledger on a monthly basis.

Criteria

Good internal control and the maintenance of adequate records require that cash accounts be reconciled to the general ledger on a monthly basis.

Cause

Cash accounts were not reconciled due to accounting personnel taking on additional responsibilities of the Council's Executive Director during his illness and subsequent death.

Effect

Accounting records were 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 accounts should be reconciled monthly upon receipt of bank statements by persons having no responsibilities related to check preparation and signing or preparation of bank deposits.

Management's response

See document titled "Management's Response."

2003-4. Financial statements not prepared and reconciled on a monthly basis.

Condition

Financial statements were not prepared and reconciled on a monthly basis.

Criteria

Good internal control and sound management practice require that reliable financial statements be prepared monthly for review by the governing board.

Cause

Financial statements were not prepared and reconciled monthly due to accounting personnel taking on additional responsibilities the Council's Executive Director during his illness and subsequent 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 prepared and reconciled on a monthly basis as soon after each month end as possible, so that members of the governing board will be provided reliable financial information for decision-making purposes.

Management's response

See document titled "Management's Response."

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

Condition

Financial statement adjustments were made by persons whose other duties are incompatible with that activity.

Criteria

Good internal control requires the separation of incompatible duties to avoid one person having control of a transaction from inception to completion.

Cause

In prior years, the 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, his duties were reassigned to the Chief Administrative 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.

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

Recommendation

The new Executive Director should re-establish the system of accounting checks and balances as soon as possible, by assigning incompatible duties to different personnel.

Management's response

See document titled "Management's Response."

2003-6. Blank check stock is not stored in locked/secured cabinet and access to checks is not controlled; checks are not issued in sequential order; and blank checks are signed and left with accounting personnel.

Condition

Blank check storage and procedures followed in the check issuing process are not adequate to properly protect the Council from inaccurate accounting and/or the possibility of misappropriation or fraud. In addition, while reviewing the bank statements for the year ending June 30, 2003, we noted that checks are frequently issued out of sequence. This is a major weakness in the system of controls over cash disbursements because it can be virtually impossible to be certain all checks are accounted for at any given point in time. As such, this practice makes the reconciliation of checking accounts quite difficult and therefore the bank reconciliations may be completely unreliable. Our testing revealed instances where blank checks were periodically signed in advance when employees were sent to purchase items on behalf of the Council at merchants where the Council did not have charge accounts established. While this practice serves as a convenience for the Council and its employees, it greatly weakens the internal control.

Criteria

Good internal control requires that all pre-numbered documents, particularly blank checks, be secured, issued sequentially, periodically accounted for, and that documents never be signed in blank. In addition, personnel who have record-keeping responsibility should not issue checks.

Cause

The Council does not have a formal policy addressing these issues.

Effect

This situation creates the possibility that a signed, blank check could be taken by an unauthorized individual and then executed and presented for payment, opening the door for fraud, misappropriation, or mistakes. It also threatens the reliability of bank reconciliations.

Recommendation

Blank check stock should be kept in a locked box or cabinet accessible only to those with proper authorization, issued in sequence, which sequence should be accounted for periodically. In addition, blank checks should never be signed and left with accounting personnel for later use. We strongly recommend that as soon as possible, a process be implemented whereby the organization prepares a complete listing of all checks outstanding for reconciliation purposes.

Management's response

See document titled "Management's Response."

2003-7. The Council's check signature policies have not been followed.

Condition

Four instances of violation of the Council's check signing policy were noted in our review of subsequent events; i.e., checks in amounts greater than \$10,000 did not contain two signatures as required by policy.

Criteria

Controls established by the Council require that cash disbursements in excess of \$10,000 require two signatures.

Cause

A relatively few number of checks issued by the Council are in excess of \$10,000. As a result, the requirement to obtain two signatures on checks greater than this amount appears to have been overlooked.

Effect

Failing to adhere to policy opens the door for fraud, misappropriation, or mistakes.

Recommendation

Checks to be issued should be reviewed and advance notice given to the Executive Director when the amount of the check is \$10,000 or greater and an additional signature will be required. It may also be helpful to have checks printed with the fact that two signatures are required if the amount exceeds \$10,000.

Management's response

See document titled "Management's Response."

2003-8. Payroll taxes not paid timely and payroll reports not filed timely.

Condition

During the fiscal year ended June 30, 2003, as well as in the subsequent period, payroll tax deposits were not made timely, nor were quarterly payroll tax returns filed timely with the federal and state governments.

Criteria

Federal and state laws require that payroll taxes be deposited with financial institutions or otherwise remitted to the taxing authorities in a prescribed fashion, and that quarterly returns be filed *no later than the last day of the month following the end of a calendar quarter.*

Cause

Cash flow problems and the lack of established priorities for payment of the Council's obligations are the apparent causes.

Effect

Recurring periods of unpaid payroll taxes have resulted in additional costs to the Council such as interest and penalties. Failure to place priority on the timely reporting and payment of payroll taxes and other withholdings could result in potential liability to the Council and its personnel.

Recommendation

In periods of tight cash positions, the Council should carefully prioritize the payment of its obligations to ensure that it fulfills its fiduciary obligation to remit payroll taxes and other withholding amounts on behalf of its employees.

2003-8. Payroll taxes not paid timely and payroll reports not filed timely. (Continued)

Management's response

See document titled "Management's Response."

2003-9. General ledger distribution codes were not readily available for application of audit procedures.

Condition

Cancelled invoices do not contain general ledger distribution coding for tracing expense amounts to general ledger and program codes as posted at time of entry into the accounting software. Deposit records do not contain general ledger distribution coding for tracing income amounts to general ledger and program codes as posted at time of entry into the accounting software.

Criteria

Good internal control and the maintenance of adequate records require that general ledger distribution codes be readily available to provide an adequate audit trail and reduce the possibility of miscoding.

Cause

Cancelled invoices and deposit records are not marked with the general ledger coding and program coding at the time of processing.

Effect

The omission of general ledger and program codes on cancelled invoices and deposit records results in an incomplete accounting record of the transactions.

Recommendation

General ledger and program codes should be documented when processing invoices and deposit records. Such documentation of coding could be accomplished by printing transaction reports and attaching them to the cancelled invoice or to the deposit records as applicable.

Management's response

See document titled "Management's Response."

2003-10. Accounting records are not filed in a consistent manner.

Condition

Accounting records were not filed in a consistent manner, which created a situation in which preparation of timely financial information was not possible.

Criteria

Good internal control and the maintenance of adequate records require that supporting documents be stored in a manner that will facilitate their retrieval by accounting personnel as well as independent auditors.

Cause

Accounting records were not filed in a consistent manner.

2003-10. Accounting records are not filed in a consistent manner. (Continued)

Effect

The misfiling of accounting records results 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, general ledger coding, program coding for tracing to the detail accounting records, and, if the invoice is to be included in a state billing, the contract number and billing month. The state and other contract billings should be filed by contract number and copies of all necessary support for the billing should be attached and indexed.

Management's response

See document titled "Management's Response."

Summary

During the course of our engagement, we noted that there was a certain lack of review and reconciliation in many areas of the accounting function. Accounting tasks such as monthly reconciliations, cross checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements. We strongly suggest that the Council establish effective review and reconciliation policies and procedures as a customary part of the accounting process.

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

YOUNGBLOOD & HODGES
A Professional Accounting Corporation

Thomas P. Youngblood, CPA

**ALCOHOLISM
& DRUG ABUSE**

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MIKE TURNER
VICE-PRES/OPERATIONS

CATHERINE JACK
VICE-PRES/FINANCE

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SECRETARY

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IMMEDIATE PAST PRESIDENT

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DAN J. TALLEY, MAC
EXECUTIVE DIRECTOR

AN AFFILIATE OF

NCA
NATIONAL COUNCIL ON ALCOHOLISM
AND DRUG DEPENDENCE, INC.

April 28, 2004

Mr. Thomas P. Youngblood, CPA
Youngblood & Hodges
A Professional Accounting Corporation
4700 Line Avenue
Shreveport, Louisiana 71106

RE: Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.
Audit for the year ended June 30, 2003

Dear Mr. Youngblood:

Please accept this letter as our response and plan of corrective action with respect to the findings and internal control comments made in your recently completed report on the financial statements of the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (the "Council").

Schedule of Compliance Findings For the Year Ended June 30, 2003:

You correctly noted that the Council failed to comply with Louisiana State Audit Law by failing to transmit its audited financial statements and related reports to the Legislative Auditor of the State of Louisiana by the December 31, 2003 statutory deadline. While we agree with all of the reasons you set forth in the letter, we also believe that your firm's staffing arrangements contributed to, but were not the primary cause of the delinquency. Additionally, as you are aware, the past two years we have been in the process of finalizing the conversion of our accounting records to a new data processing system.

The primary causes for the delinquent filings have now been resolved. Our management team was completed with the hiring of a new Executive Director on April 22, 2004. He will be able to relieve the Council's Chief Administrative Officer of many of the duties with which she has been burdened over the past two years, and we have undertaken a review of the entire accounting function to be certain we have the proper staffing, which was recently increased, for the future.

We also expect that the completion of this audit will free current accounting personnel to concentrate on current business, including making certain cash is reconciled and the general ledger is posted on a current basis. While we welcome our annual audit for the practical suggestions that arise from the audit process, we, as well as you, recognize that assistance provided to the auditors takes time away from more routine duties.

Taken together, we expect the preceding actions to address and correct the problems that lead to the late issuance of this year's audit.

Schedule of Reportable Conditions and Material Weaknesses Year Ended June 30, 2003:

There is no doubt the Council's accounting system has suffered over the past two years. The illness and death of Dan Talley and the events surrounding our conversion to a new accounting system have combined to place a great strain on our Chief Administrative Officer, which has caused deterioration in the accounting function.

Our specific comments regarding the perceived weaknesses in our system follows:

1. We agree that payroll expense and the related liabilities have not been reconciled to the general ledger on a timely basis. This condition will be rectified immediately.
2. We agree that cash accounts have not been reconciled monthly. This condition will be rectified immediately.
3. We agree that monthly financial statements have not been prepared or reconciled to subsidiary records on a timely basis. This condition will be rectified immediately.
4. We agree there has been a lack of segregation of duties. This will be rectified now that an executive director has been hired.
5. Regarding security and policies governing the control of checks:
 - a. We agree that blank check stock has not been stored in a locked/secured cabinet. When this was brought to our attention, arrangements were immediately made to begin storing blank stock in a secure area.
 - b. Our policy is to issue checks in sequential order. Occasionally, primarily during payroll processing, a check will be issued out of numerical sequence because of the need for more than one person to utilize the check stock. We will contact the vendor of our software to determine if there is a way we can minimize the out of sequence issuance of checks in the future.
 - c. The checks to which this comment refers are checks that are issued with the payee's name on them as well as the signature of a director. This is done to allow the various programs to purchase items of food and other supplies for their program. The procedures surrounding these checks require the person who is making the purchase to bring the supplies and the receipt for the supplies back to the program offices. A second employee checks the items in against the receipt and both employees sign the back of the receipt. The receipt must then be delivered to accounting within 24 hours. We believe these transactions are well controlled and do not require further safeguard.
6. We agree the instances noted where there were checks over \$10,000 with only one signature are violations of our policy. All personnel responsible for signing and/or issuing checks will be informed of the policy to avoid future errors.
7. We agree payroll taxes are not always filed on a timely basis, nor are payroll tax returns. Recent funding difficulties have contributed to these problems, which are expected to be remedied through the disposal of a rental property in the near future.
8. We do not believe internal accounting control principles require that an invoice contain the general ledger coding or program coding. Likewise, we do not believe such principles require the coding on deposit slips of program and general ledger information. Our system allows for the tracing of all necessary information from the start to the finish of a transaction. As long as the audit trail is maintained, we believe the appropriate procedures are being followed. We will investigate the feasibility of

making changes requested, but we do not believe this to be a reportable condition or a material weakness.

9. We disagree with the assertion that accounting records are not filed in a consistent manner. With the exception of two invoices that were difficult to locate, all information requested by the auditors was readily available. It is not our responsibility to develop a filing system that makes the pulling of information for the auditors easy as long as we consistently file in the same manner and it is in a manner that facilitates the duties of accounting personnel.

We agree with the assertion that items 1-4 and 6 are material weaknesses. We do not believe item 5 to be a material weakness.

Management Letter:

Item 2003-1

You correctly noted that the Council failed to comply with Louisiana State Audit Law by failing to transmit its audited financial statements and related reports to the Legislative Auditor of the State of Louisiana by the December 31, 2003 statutory deadline. While we agree with all of the reasons you set forth in the letter, we also believe that your firm's staffing arrangements contributed to the delinquency. Additionally, as you are aware, the past two years we have been in the process of finalizing the conversion of our accounting records to a new data processing system.

The primary causes for the delinquent filings have now been resolved. Our management team was completed with the hiring of a new Executive Director on April 22, 2004. He will be able to relieve the Council's Chief Administrative Officer of many of the duties with which she has been burdened over the past two years, and we have undertaken a review of the entire accounting function to be certain we have the proper staffing, which was recently increased, for the future.

We do not believe that the retention of an outside firm will be necessary to allow us to bring our accounting records up-to-date. The vast majority of the work required for the proper completion of the accounting records is complete with respect to transactional items. The balancing procedures necessary to verify and support financial statement balances can be accomplished by present staff now that the Executive Director will take over the executive duties previously performed by the Chief Administrative Officer. Notwithstanding this perception, as we previously stated, we will be assessing the staffing of the accounting department in the next 30 days and will make changes as deemed necessary.

We also expect that the completion of this audit will free current accounting personnel to concentrate on current business, including making certain cash is reconciled and the general ledger is posted on a current basis. While we welcome our annual audit for the practical suggestions that arise from the audit process, we, as well as you, recognize that assistance provided to the auditors takes time away from more routine duties.

Taken together, we expect the preceding actions to address and correct the problems that lead to the late issuance of this year's audit.

Item 2003-2

We concur with the fact that the payroll records were not fully reconciled to the general ledger; however, the difference noted by your firm of approximately \$17,000 should actually be approximately \$2,000 after properly accounting for cafeteria plan deductions. The fact remains that the records did not balance and the reasons for the differences are accurately portrayed. This situation will be rectified immediately.

Item 2003-3

We concur with the fact that cash accounts were not reconciled on a monthly basis. This situation will be rectified immediately.

Item 2003-4

We agree that the Council's financial statements were not timely prepared or reconciled to the underlying records. This situation will be rectified immediately.

Item 2003-5

We agree that there has been a lack of segregation of duties with respect to the initiation, approval and accounting functions in the Council. This situation will be rectified immediately.

Item 2003-6

We agree that control over blank check stock has been lacking and have now taken steps to rectify this weakness. We also agree that checks have been issued out of sequence, primarily due to the logistical requirements of the present accounting software. We do not, however, agree with the contention that this of itself creates a condition where bank reconciliations may be completely unreliable. We keep control of all checks and, at any given time, we can readily determine the checks still unused. We can also determine the issuance date of any checks issued out of sequence. While this may complicate the reconciliation process, it does not negate its reliability.

We agree that the criteria mentioned in your letter are, in fact, proper controls; however, we disagree with the characterization of the cause of these conditions and the implication that personnel are being given carte blanche when a check is issued for them to acquire certain items at local stores. The fact is the Council and the programs it operates are required to be good stewards of both public and private funds entrusted to it. With this in mind, we are constantly reviewing the cost of supplies at various local stores in order to obtain the best price available for items not purchased from our bulk suppliers. We believe that the procedures in place governing the purchase of items with such checks, along with the fact that the payee is filled in prior to personnel receiving the check adequately safeguard Council assets.

The Council does not have formal written policies regarding some of these matters, but it does have a long-standing history of transacting business in the manner described in this comment. We believe, the proximate cause of the majority of comments in this item relate to Dan Talley's illness necessitating the Chief Administrative Officer's involvement in executive decision-

making, which was further exacerbated by financial difficulties that precluded hiring additional accounting personnel.

We will review our cash and banking procedures and make the appropriate changes as funding permits.

Item 2003-7

We concur with this comment and will take immediate steps to make sure all checks in excess of \$10,000 evidence two authorized signatures.

Item 2003-8

We agree with this comment and will take steps to correct the situation. We believe the hiring of an executive director and the proposed sale of a rental property will provide both the time and cash to clear up both matters.

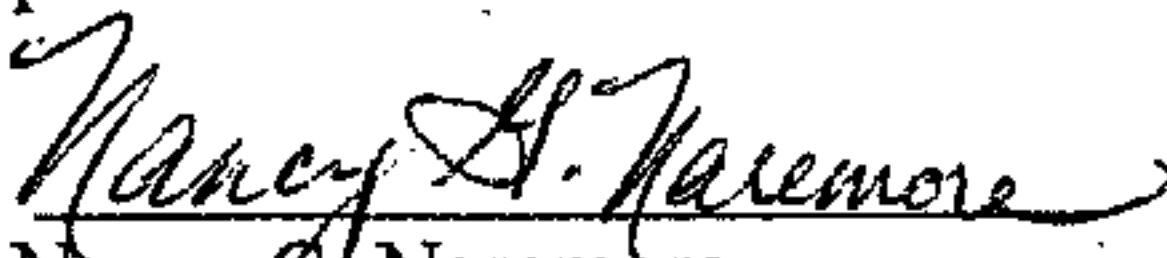
Item 2003-9 or 10

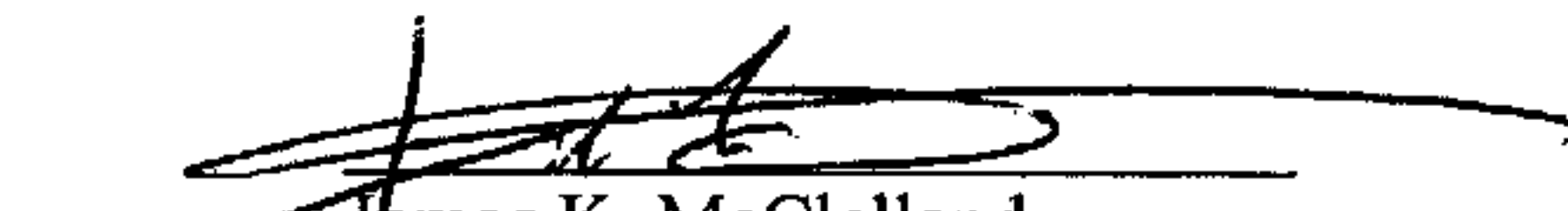
We do not believe the accounting records have been improperly filed or inconsistently filed. With the exception of coding items on the invoice to facilitate tracking the charges through the general ledger, we believe the recommendations included in this comment were and are met by our current system. With respect to coding issues, we do not believe there is a requirement in generally accepted accounting principles or standard business practice that such information be included on the invoice. The primary test is the maintenance of an adequate audit trail. We believe we have met that requirement with the current system. Nevertheless, we will review all recommendations and implement all feasible suggestions.

Summary

We concur with the statements included in the Summary section of your letter.

We believe that we have fully and accurately responded to all of your comments regarding the internal controls of the Council. We appreciate the work performed by your staff and its commitment to issuing your report by April 30, 2004. If you need any further information, please do not hesitate to contact us.


Nancy G. Naremore
Chief Administrative Officer


James K. McClelland
Treasurer