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CAPITAL AREA LEGAL SERVICES CORPORATION  
Baton Rouge, Louisiana

Financial Statements

December 31, 1999

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

MAY 03 2000

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Baton Rouge, Louisiana

December 31, 1999

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# NEIL G. FERRARI

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MEMBER OF THE  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana.

I have audited the accompanying statement of financial position of Capital Area Legal Services Corporation (a nonprofit corporation) as of December 31, 1999, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Capital Area Legal Services Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Legal Services Corporation as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 22, 2000, on my consideration of Capital Area Legal Services Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying schedules, listed in the table of contents as supplementary financial information, 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 for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements. The supplementary financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Baton Rouge, Louisiana  
March 22, 2000.

*Neil B. Ferrari, CPA*

# NEIL G. FERRARI

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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

To the Board of Directors,  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana.

I have audited the financial statements of the Capital Area Legal Services Corporation (a nonprofit corporation), as of and for the year ended December 31, 1999, and have issued my report thereon dated March 22, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Capital Area Legal Services Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



## Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Capital Area Legal Services Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Capital Area Legal Service Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above are a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to the management of Capital Area Legal Services Corporation in a separate letter dated March 22, 2000.

This report is intended solely for the information of Capital Area Legal Services Corporation's board of directors and management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Kyle B. Ferrari, CPA*

Baton Rouge, Louisiana,  
March 22, 2000.

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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

To the Board of Directors,  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana.

## Compliance

I have audited the compliance of the Capital Area Legal Services Corporation (a nonprofit organization), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "Compliance Supplement for Audits of LSC Recipients" that are applicable to each of its major federal programs for the year ended December 31, 1999. The Capital Area Legal Services Corporation'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 each of its major federal programs is the responsibility of the Capital Area Legal Services Corporation's management. My responsibility is to express an opinion on the Capital Area Legal Services Corporation's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; the "LSC Audit Guide for Recipients and Auditors;" and the "Compliance Supplement for Audits of LSC Recipients." *Government Auditing Standards* and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Capital Area Legal Services Corporation's compliance with those requirements.



In my opinion, the Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

#### Internal Control Over Compliance

The management of the Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Capital Area Legal Services Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect Capital Area Legal Services Corporation's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of Capital Area Legal Services Corporation's board of directors and management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Muri B. Fenari, CPA*

Baton Rouge, Louisiana,  
March 22, 2000.

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**

December 31, 1999  
(With summarized financial information as of December 31, 1998)

	1999	1998
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$293,793	\$43,410
Grants and contracts receivable	15,898	8,768
Other receivables	65	683
Travel advance	4,354	4,328
Prepaid expenses	10,278	9,820
Client case costs advanced	780	850
Unconditional promises to give	13,200	13,200
Cash - client escrow funds	41,085	36,652
Total current assets	379,453	117,711
<b>PROPERTY AND EQUIPMENT, net of depreciation</b>	55,072	77,862
<b>OTHER</b>		
Unconditional promises to give	7,950	21,150
Deposits	130	230
Cash - client escrow funds	20,714	20,174
Total other assets	28,794	41,554
Total assets	\$463,319	\$237,127
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$13,635	\$8,633
Payroll taxes and other withholdings	2,168	2,292
Unearned LSC support	232,770	0
Unearned EPS revenue	14,895	4,843
Current maturities of capital lease obligation	6,992	6,058
Accrued annual leave	37,080	37,080
Client trust funds deposited	41,158	36,687
Total current liabilities	348,698	95,593
<b>OBLIGATION UNDER CAPITAL LEASE, less current portion</b>	7,353	14,344
<b>CLIENT TRUST FUNDS DEPOSITED</b>	20,730	20,190
Total liabilities	376,781	130,127
<b>NET ASSETS</b>		
<i>Unrestricted:</i>		
Designated by the Board of Directors for client case costs	4,717	4,717
Undesignated	55,512	61,262
Total unrestricted net assets	60,229	65,979
Temporarily restricted	26,309	41,021
Total net assets	86,538	107,000
Total liabilities and net assets	\$463,319	\$237,127

See notes to financial statements.

CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 1999  
( With summarized financial information for the year ended December 31, 1998)

	Unrestricted	Temporarily Restricted		Total	1999	1998
		LSC	Non - LSC			
<b>REVENUES AND OTHER SUPPORT</b>						
Grants :						
Legal Services Corporation (LSC)	\$0	\$1,398,480	\$0	\$1,398,480	\$1,398,480	\$1,327,832
Louisiana Bar Foundation (LBF):						
IOLTA			83,033	83,033	83,033	83,033
Access to Justice	3,710	0	0	0	3,710	0
Local Bar Associations - IOLTA	0	0	88,500	88,500	88,500	93,000
Capital Area Agency on Aging:						
Elderly Protective Services	126,757	0	0	0	126,757	128,553
State of Louisiana	66,752	0	0	0	66,752	0
City of Baton Rouge	36,700	0	0	0	36,700	44,000
Entergy Corporation	25,000	0	0	0	25,000	25,000
Baton Rouge Bar Foundation	0	0	0	0	0	20,000
Pointe Coupee Parish Government	0	0	5,800	5,800	5,800	0
St. James Parish Council	0	0	5,800	5,800	5,800	5,800
St. John the Baptist Parish Council	0	0	6,800	6,800	6,800	5,800
Iberville Parish Police Jury	0	0	5,800	5,800	5,800	5,800
Ascension Parish Council	0	0	12,400	12,400	12,400	12,400
Terrebonne Parish Consolidated Government	0	0	14,600	14,600	14,600	11,200
West Feliciana Parish Police Jury	0	0	11,890	11,890	11,890	0
Loyola School of Law	3,000	0	0	0	3,000	0
Public support :						
Kiwanis Club	0	0	0	0	0	300
Program service fees :						
Various Councils on Aging	15,264	0	0	0	15,264	13,989
Capital Area Agency on Aging	14,907	0	0	0	14,907	13,889
Continuing Legal Education Fees	0	0	0	0	0	825
Contributions and Net Revenue from Special Event	0	0	0	0	0	1,525
Contributions	0	0	0	0	0	1,905
Advertising revenue - special event program	0	0	0	0	0	7,985
Special event revenue less costs of direct benefits to donors	0	0	0	0	0	7,769
Interest income	955	5,129	55	5,184	6,139	0
Other revenue :						
Distributions from the 19th Judicial District Expense Fund	13,228	0	0	0	13,228	9,505
Distributions from the Baton Rouge City Court Pro Bono Fund	24,431	0	0	0	24,431	0
Miscellaneous	320	0	0	0	320	119
Vending machine commissions	130	0	0	0	130	128
Donated services	357,308	0	0	0	357,308	491,633
Net assets released from restrictions :						
Satisfaction of program restrictions:						
LSC	1,410,280	(1,410,280)	0	(1,410,280)	0	0
LBF	83,088	0	(83,088)	(83,088)	0	0
Local Bar Associations	88,500	0	(88,500)	(88,500)	0	0
Local parish governments	57,931	0	(57,931)	(57,931)	0	0
Satisfaction of time restrictions	13,200	0	(13,200)	(13,200)	0	0
Total revenues and other support	\$2,341,461	(\$6,671)	(\$8,041)	(\$14,712)	\$2,326,749	\$2,311,990

(Statement of Activities is continued on the next page)

See notes to financial statements.



CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES  
(CONTINUED)

For the Year Ended December 31, 1999  
(With summarized financial information for the year ended December 31, 1998)

	Unrestricted	Temporarily Restricted		Total	1999	1998
		LSC	Non - LSC			
<b>EXPENSES</b>						
Program Services :						
Legal assistance	\$1,820,718	\$0	\$0	\$0	\$1,820,718	\$1,870,025
Elderly Protective Services	127,441	0	0	0	127,441	129,998
Supporting Services :						
Management and general	399,052	0	0	0	399,052	361,186
Fund-raising - special event 40th anniversary	0	0	0	0	0	38,125
Total expenses	<u>2,347,211</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,347,211</u>	<u>2,399,334</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(5,750)</u>	<u>(6,671)</u>	<u>(8,041)</u>	<u>(14,712)</u>	<u>(20,462)</u>	<u>(87,344)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>65,979</u>	<u>6,671</u>	<u>34,350</u>	<u>41,021</u>	<u>107,000</u>	<u>194,344</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$60,229</u>	<u>\$0</u>	<u>\$26,309</u>	<u>\$26,309</u>	<u>\$86,538</u>	<u>\$107,000</u>

See notes to financial statements.

CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 1999  
(With summarized financial information for the year ended December 31, 1998)

	Program Services		Supporting Services	1999	1998
	Legal Assistance	Elderly Protective Services			
<b>PERSONNEL EXPENSES</b>					
Salaries and wages:					
Attorney	\$365,702	\$7,402	\$80,142	\$453,246	\$424,513
Paralegal	115,988	0	0	115,988	126,997
Other staff	329,728	78,930	155,536	564,194	523,046
Employee benefits, including payroll taxes	167,337	19,404	44,615	231,356	203,799
Total personnel expenses	978,755	105,736	280,293	1,364,784	1,278,355

**OPERATING AND OTHER EXPENSES**

Space and occupancy:					
Building rental	61,800	2,700	10,237	74,737	72,862
Utilities	17,042	0	2,666	19,708	21,467
Janitorial and building maintenance	9,914	0	1,856	11,770	11,653
Equipment rental	7,011	0	291	7,302	14,121
Equipment maintenance	37,865	343	3,890	42,098	33,198
Office expenses:					
Consumables	30,291	211	3,389	33,891	32,692
Postage	8,761	300	1,018	10,079	9,618
Printing	506	0	507	1,013	1,100
Advertising	0	268	843	1,111	702
Legal and paralegal consultants	57,767	0	0	57,767	64,805
Subrecipient awards	48,500	0	0	48,500	46,836
Telephone	48,963	4,218	5,909	59,090	58,917
Depreciation and amortization	26,287	684	5,775	32,746	41,926
40th Anniversary event	0	0	0	0	33,389
Travel	24,459	5,362	8,836	38,657	31,374
Training	21,177	987	12,722	34,886	29,484
Library additions and subscription renewals	25,638	0	0	25,638	18,983
Audit fees	0	1,390	19,795	21,185	18,605
Insurance	13,731	810	3,730	18,271	17,332
Staff parking	10,176	1,517	3,888	15,581	16,913
Equipment purchases under capitalization limit	15,786	2,915	2,786	21,487	13,582
Dues and memberships	2,390	0	6,392	8,782	6,431
Consultants and payroll services	0	0	11,361	11,361	4,895

(Statement of Functional Expenses is continued on the next page)  
See notes to financial statements.

CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES  
(CONTINUED)

For the year ended December 31, 1999  
(With summarized financial information for the year ended December 31, 1998)

	Program Services		Supporting Services		
	Legal Assistance	Elderly Protective Services	Management and General	Management and General	
	1999	1998	1999	1998	
Access to Justice	\$4,383	\$0	\$0	\$0	\$4,383
Interest	0	0	2,555	3,365	3,365
Meetings	0	0	4,809	2,881	2,881
Bank charges	0	0	1,797	1,417	1,417
Litigation	1,276	0	0	509	509
Property taxes	0	0	96	89	89
Miscellaneous	0	0	1,343	2,617	2,617
	<u>473,723</u>	<u>21,705</u>	<u>116,491</u>	<u>616,146</u>	<u>616,146</u>
Total operating and other expenses					
<b>DONATED SERVICES</b>					
Attorney and paralegal services	357,308	0	0	491,633	491,633
Rent	10,932	0	2,268	13,200	13,200
	<u>368,240</u>	<u>0</u>	<u>2,268</u>	<u>504,833</u>	<u>504,833</u>
Total donated services					
Total expenses	<u>\$1,820,718</u>	<u>\$127,441</u>	<u>\$399,052</u>	<u>\$2,347,211</u>	<u>\$2,399,334</u>

See notes to financial statements.

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**STATEMENT OF CASH FLOWS**

December 31, 1999

(With summarized financial information as of December 31, 1998)

	1999	1998
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (decrease) in net assets	(\$20,462)	(\$87,344)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	32,746	41,926
Decrease in unconditional promises to give	13,200	13,200
(Increase) decrease in operating assets:		
Receivables	(7,130)	(6,927)
Other receivables	618	3,477
Travel advances	(26)	(4,328)
Prepaid expenses	(458)	1,606
Client case costs advanced	70	(850)
Client escrow funds	(4,973)	(2,453)
Deposits	100	0
(Decrease) increase in operating liabilities :		
Accounts payable	5,002	(2,919)
Payroll taxes and other withholdings	(124)	(314)
Unearned support and revenue	242,822	1,787
Client trust funds deposited	5,011	2,507
IOLTA interest payable	0	(3)
Net cash provided from (used by) operating activities	266,396	(40,635)
<b><u>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</u></b>		
Purchases of furniture and equipment	(9,956)	0
Net cash provided from (used by) investing activities	(9,956)	0
<b><u>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES</u></b>		
Principal payments on capital lease obligations	(6,057)	(5,248)
Net cash provided from (used by) financing activities	(6,057)	(5,248)
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	250,383	(45,883)
<b><u>CASH AND CASH EQUIVALENTS</u></b>		
Beginning of year	43,410	89,293
End of year	\$293,793	\$43,410
<b><u>SUPPLEMENTAL DISCLOSURES :</u></b>		
Interest expense paid	\$2,555	\$3,365
Interest income received	6,139	7,769
Noncash transactions :		
None		

See notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

December 31, 1999

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Capital Area Legal Services Corporation (CALSC) is a private, non-membership, nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings to persons financially unable to afford legal assistance or to hire a personal attorney. CALSC is primarily funded through a grant from the Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a national legal assistance program. CALSC also receives funds from other "non-LSC" sources that allows it to expand its basic legal assistance program and provide elderly protective services. See Note 5 to these financial statements for more detailed information about CALSC's activities.

b. Basis of Accounting and Presentation

The financial statements have been prepared on an accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-Profit Organizations." Under SFAS No. 117, Capital Area Legal Services 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

b. Basis of Accounting and Presentation -  
(continued)

CALSC has also followed the "Accounting Guide For LSC Recipients" issued by Legal Services Corporation on August 14, 1997, when preparing these financial statements.

c. Recognition of LSC Grant Support and Net Assets

CALSC recognizes grant funds from LSC as a contribution with donor-imposed restrictions on a straight-line basis over the grant period. Funds remaining unexpended at the end of the year are reflected as temporarily restricted net assets provided such amount is within 10% of the annualized LSC support. In accordance with LSC regulations, CALSC may retain net assets equal to 10% of its annualized LSC support for use in future periods without prior LSC approval. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by CALSC with the terms of its grant award. In addition, all unexpended funds are to be returned to LSC if CALSC terminates its LSC activities.

d. Recognition of Non-LSC Restricted and Unrestricted Support and Revenue

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. This method of revenue recognition was used for support received from the Louisiana Bar Foundation (LBF), local bar associations, and various local governments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)d. Recognition of Non-LSC Restricted and Unrestricted Support and Revenue - (continued)

CALSC also received program service fees and grant revenues in exchange for services provided. Program services fees are earned based upon providing legal services at pre-established rates and are recognized as unrestricted revenue in the period when the units or services were provided.

Certain grant revenues are recognized as unrestricted revenue when allowable costs are incurred to provide the services as provided for under the terms of the grant agreement. This method of revenue recognition was used for grants received from the Capital Area Agency on Aging for Elderly Protective Services (EPS), the State of Louisiana, and Loyola University.

Other grant revenues are unrestricted in nature because they are not connected with the incurrence of specific costs or the passage of time. Revenues from these types of grants are recognized upon their receipt if the amounts are not determinable. However, if an amount can be determined and the period for which it is intended is identified, CALSC will accrue the revenue in the current year even if the funds are received in a subsequent year. This method of revenue recognition was used for the grant from the City of Baton Rouge, Entergy Corporation, and distributions received from Family Court, the 19<sup>th</sup> Judicial District Court, and the Baton Rouge City Court.

e. Property and Equipment

Property and equipment purchases are recorded at cost. Property and equipment acquired with LSC funds are considered to be owned by CALSC while used in the program or in future authorized programs. LSC retains a reversionary interest in any assets acquired with LSC funds as well as the right to determine the use of any proceeds from the sale of such assets.

e. Property and Equipment - (continued)

Beginning August 14, 1997, (the effective date of the revised LSC accounting guide) CALSC follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Before that date, CALSC's capitalization threshold was \$100.

Depreciation of property and equipment is computed on a straight-line basis over the assets' estimated useful lives which range from five to ten years. Leasehold improvements are amortized on a straight-line basis over five years. Depreciation and amortization expenses have been presented together as a single line item in the Statement of Cash Flows.

Donations of property and equipment are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, CALSC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CALSC reclassifies temporarily restricted assets to unrestricted net assets at that time. CALSC did not receive any donated fixed assets in the current or previous years.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)e. Property and Equipment - (continued)

As of December 31, 1999, property and equipment on the balance sheet includes \$30,547 for a phone system which is being acquired by CALSC under a capital lease agreement. Amortization expense for the phone system was \$6,109 for 1999. This amount has been included in the total depreciation and amortization expense of \$32,746 on the financial statements. The accumulated amortization for this asset was \$18,837 as of December 31, 1999.

f. Law Library

CALSC capitalized the initial cost of books, reference materials and multiple-volume sets of law books. Prior to 1997, LSC guidance stated that the initial cost of the law library should not be depreciated. However, the current "Accounting Guide for LSC Recipients" requires the law library to be depreciated over its useful life. When LSC accounting policy changed in 1997, CALSC management estimated that the remaining useful life of the law library was five years and began depreciating the cost of the law library on a straight-line basis effective January 1, 1997.

The costs of maintaining reference materials on a current basis are expensed in the period incurred. LSC retains a reversionary interest in the law library.

g. Donated Services

Only amounts which have been objectively determined are reflected in the financial statements as donated services. Corresponding expenses have been recorded as offsets to these contributions so that there will not be any effect on CALSC's net assets. Total donated services recorded by CALSC in the 1999 financial statements was \$357,308 as described below. All donated services received during the current year related to CALSC's "legal assistance" program.

- ◆ CALSC received \$277,970 in professional legal services donated by private attorneys participating in a pro bono program, which is managed for CALSC by the Baton Rouge Bar Foundation (BRBF). Management has accepted BRBF's valuation for the donated services received under this program. BRBF has a system in place to track the hours donated and multiplies them using a standard rate of \$100 per hour, or a rate provided by the attorney who donated the service, to arrive at the value of the donated services.
- ◆ CALSC also received \$79,338 in donated services from attorneys who participated in the PAI program. These attorneys charged reduced or flat rates for services rather than standard rates thereby creating a contribution to CALSC. The rate differences were documented by CALSC's staff throughout the year and totaled at year end.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)g. Donated Services - (continued)

- ◆ Until August, 1, 1996, CALSC rented its Baton Rouge office for \$2,600/month, whereas the fair market value was \$4,800/month as stated in its lease. However, beginning August 1, 1996, CALSC's monthly payment increased to \$3,750/month thereby reducing the differential to \$1,050/month. At the same time, the lease on the Baton Rouge office was extended until July 31, 2001. As a result, CALSC recorded \$63,000 as temporarily restricted donated services in 1996 relating to the in-kind value of the lease extension. For 1999, CALSC has recognized \$12,600 as net assets which have been released from a time restriction relating to the Baton Rouge office.
- ◆ CALSC also received an in-kind rent reduction for its Donaldsonville office in 1996 and for future years. In 1996, the rent reduction was \$75 for three months, and beginning January 1, 1997, and continuing for five years, the rent reduction is \$50 per month. As a result, CALSC recorded \$3,225 as temporarily restricted donated services in 1996 relating to the in-kind value of this lease. For 1999, CALSC has recognized \$600 as net assets which have been released from a time restriction relating to the Donaldsonville office.

Donated services that were not recorded as 1999 contributions were as follows:

- ◆ CALSC received professional legal services donated by private attorneys participating in a pro bono program which was managed for CALSC by the Louis A. Martinet Foundation(LAMF). The LAMF did not provide CALSC with a value for these services, accordingly, no amounts have been recorded in these financial statements.

- ◆ CALSC was not charged for the entire year for using the land upon which its office in Jackson, LA is located. Management estimates the value of this donation to be \$720 for 1999 but has not recognized any amount for donated services in the financial statements because it did not meet the criteria for recognition under SFAS No. 116.

h. Statement of Cash Flows

For purposes of the Statement of Cash Flows, CALSC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Client funds escrowed to pay for case expenses are not treated as cash for purposes of the Statement of Cash Flows.

i. Expense Allocation - Statement of Activities and Statement of Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. In most cases, these costs are identifiable based on the nature of the expense and the job description of the person performing the function. Expenses specifically identifiable to a function are charged directly to that function. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of CALSC.

There are some cases where the person performing the duty is involved in both program activities and management and general type functions. In those cases, time sheets are used to allocate personnel and fringe benefit costs to various functions. There are also cases where operational expenses benefit both program activities and general operations. In those cases management has allocated costs as follows:



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

i. Expense Allocation - Statement of Activities  
and Statement of Functional Expenses -  
(continued)

- ◆ Space and occupancy costs are allocated on the basis of square footage.
- ◆ Depreciation is allocated on the basis of usage of the furniture and equipment.
- ◆ Management has made percentage estimates of consumption or usage by personnel classified as program related versus administrative for expenses, such as; office consumables; equipment maintenance, repairs and rental; telephone; insurance; and other normal operating costs.

Expenses which are incurred to carry out the objectives of the grant which paid them are charged directly to that grant. Expenses that are not directly chargeable to a grant are allocated using budgets, formulas, and estimates by management. Another method of allocating costs is using a direct labor-hour ratio. This method is used to allocate costs to the private attorney involvement (PAI) program within the grant provided by LSC.

There are some cases where direct costs relating to a non-LSC grant may exceed the total grant award. In those cases any excess costs that were initially allocated to the non-LSC grant are reclassified to the LSC grant either as basic costs or PAI costs. CALSC is able to do this, in certain cases, because the nature of the costs is such that they are also allowable costs under the LSC grant award.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

j. Income Taxes

CALSC is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CALSC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as an entity which is not a private foundation under section 509(a)(2).

k. Management's Use of 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 may differ from those estimates. Significant estimates were made during the year by management which might affect these financial statements as follows:

- ◆ Final outcome of lawsuits involving CALSC as the defendant;
- ◆ Allocations of certain operating costs between program activities and management and general functions; and,
- ◆ Depreciable lives of fixed assets.

l. Restrictions on Cash and Cash Equivalents

There are restrictions on how CALSC can use some of the cash it receives. This is particularly true for funds received from LSC and the Louisiana Bar Foundation (IOLTA Program). Both LSC and LBF require their funds to be deposited in separate bank accounts. CALSC has complied by depositing LSC funds in Liberty Bank and LBF funds into Bank One. As funds are needed to pay expenses relating to these programs, CALSC transfers the money from the separate accounts to a general operating account from which it pays its bills. As of December 31, 1999, CALSC had spent all funds received from the LBF and LSC.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

1. Restrictions on Cash and Cash Equivalents -  
(continued)

Client Trust funds are restricted and have been deposited into separate bank accounts. See Note 4 to these financial statements.

m. Compensated Absences

Full time employees earn vacation leave beginning with the first month of employment at the rate of ten hours per month. Employees with three to five years of service earn 12 hours per month and employees with five years of service or more earn 14 hours of vacation leave per month. Employees are allowed to carry over up to 80 hours of vacation leave to the following year, and can carry over additional hours with the written approval of the executive director. Payment for unused vacation leave is made by CALSC upon an employee's job termination for any reason.

The liability for accumulated unpaid vacation is determined by using the number of vested vacation hours for each employee multiplied by the employee's current wage rate at the end of the year. An amount is added to this total for social security and medicare taxes.

CALSC's sick leave policy does not provide for the vesting of sick leave whereby an employee could be entitled to payment of any unused portion upon termination.

Note 2 - COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain summarized comparative information for the year 1998 in total but not by net asset class. In addition, the summarized 1998 comparative information is not fully supported by required footnote disclosures. As a result, the 1998 comparative information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CALSC's financial statements for the year ended December 31, 1998, from which the summarized information was derived.

Note 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 1999, represent receivables relating to the rent differential on the lease of the Baton Rouge and Donaldsonville offices. The rent differential is the difference in what the lessor and CALSC have agreed is the fair market value and what is actually being charged CALSC to rent these offices each month over the term of the lease. Note 1g to these financial statements presents additional details about these leases.

The amount of unconditional promises to give by year and in the aggregate for the next five years is as follows:

<u>Year</u>	<u>Baton Rouge Office</u>	<u>Donaldsonville Office</u>	<u>Total</u>
2000	\$ 12,600	\$ 600	\$ 13,200
2001	7,350	600	7,950
2002	-	-	-
2003	-	-	-
2004	-	-	-
	<u>\$ 19,950</u>	<u>\$ 1,200</u>	<u>\$ 21,150</u>
	=====	=====	=====



Note 4 - CLIENT TRUST FUNDS

CALSC maintains two separate interest-bearing bank accounts for the receiving and disbursing of funds on behalf of its clients. These funds are restricted as to use. They can only be used to pay for case costs relating to the specific case for which the client gave CALSC the money.

One of these accounts is considered active and CALSC has presented this cash as a current asset. The other account has been inactive for many years, accordingly, it has been presented as an other asset with a corresponding credit to long-term liabilities on the Statement of Financial Position.

Note 5 - GRANT SUPPORT AND NATURE OF ACTIVITIES

CALSC is funded primarily through a grant from the Legal Services Corporation. The LSC grant funds are restricted for purposes authorized under the LSC Act of 1974, as amended. The primary purpose of the LSC grant is to provide legal assistance to poor people in designated parishes within the State of Louisiana.

The LSC grant activity for 1999 was as follows:

LSC Recipient No. 619010  
LSC Grant Action No. 990001

LSC Basic Grant Award	\$1,398,480
	=====

Funds provided by LSC are recorded as revenue by CALSC as received. LSC does not place any restrictions requiring expenses to be incurred before revenue recognition occurs.

During 1999 CALSC received support in the form of grants from sources other than LSC. Here below is a description of the more significant funds received.

- ◆ The Louisiana Bar Foundation(LBF) and local judicial districts provided a combined total of \$175,243 of IOLTA funds to pay for costs associated with expanding legal services to poor people in non-urban areas around Baton Rouge, Louisiana.

GRANT SUPPORT AND NATURE OF ACTIVITIES - (continued)

- ◆ The Capital Area Agency on Aging - District II, Inc. (CAAA) contracted with CALSC to provide elderly protective services (EPS), which consist primarily of follow-up services in cases where abusive situations have been reported, to people age 60 or older in Baton Rouge and 7 surrounding parishes. The CAAA contracts operate on a June 30 year end. The contract amounts for the years ended June 30, 2000 and 1999 were \$147,620 and \$134,190, respectively.
- ◆ Eight different local governments provided a combined total of \$98,790 of support to subsidize CALSC's costs of providing legal services to poor people in their respective parishes.
- ◆ Entergy Corporation provided a \$25,000 unrestricted grant to CALSC to enable CALSC to operate its basic programs including its efforts to educate its client base about deregulation changes occurring in the utility industry and the effects of these changes upon consumers, particularly poor people.
- ◆ The State of Louisiana provided \$50,000 of unrestricted funds to CALSC as operating support for legal services in the twelve parish service area that CALSC services. In addition to this support, the State of Louisiana has appropriated another \$50,000 to help CALSC maintain, upgrade, and acquire computer equipment and software in an effort to unify and improve the telephone intake/case management system in CALSC's service area. As of December 31, 1999, CALSC had expended \$16,752 of the appropriation relating to this project.

The requirements of certain grants and contracts require that any funds not spent by CALSC for allowable program costs must be returned to the grantor unless a special waiver is obtained. CALSC did not spend all of its EPS revenue for the grant years ended June 30, 1999 and 1998. Accordingly, *unearned revenues relating to the EPS grants have been presented as a current liability in the Statement of Financial Position.*

Note 6 - FIXED ASSETS

The following is an analysis of fixed assets as of December 31, 1998:

<u>Asset Type and Related Accumulated Depreciation</u>	<u>Acquired With Funds From</u>		
	<u>LSC</u>	<u>EPS</u>	<u>Totals</u>
Furniture and equipment	\$300,447	\$ 9,742	\$ 310,189
Accumulated depreciation	<u>(246,623)</u>	<u>(8,838)</u>	<u>(255,461)</u>
Net book value	<u>53,824</u>	<u>904</u>	<u>54,728</u>
Leasehold improvements	633	-	633
Accumulated amortization	<u>(633)</u>	<u>-</u>	<u>(633)</u>
Net book value	<u>-</u>	<u>-</u>	<u>-</u>
Law Library	38,557	-	38,557
Accumulated depreciation	<u>(15,423)</u>	<u>-</u>	<u>(15,423)</u>
Net book value	<u>23,134</u>	<u>-</u>	<u>23,134</u>
Total net book value	<u>\$ 76,958</u>	<u>\$ 904</u>	<u>\$ 77,862</u>

The following is an analysis of fixed assets as of December 31, 1999:

<u>Asset Type and Related Accumulated Depreciation</u>	<u>Acquired With Funds From</u>			<u>Totals</u>
	<u>LSC</u>	<u>EPS</u>	<u>State of Louisiana</u>	
Furniture and equipment	\$265,406	\$ 9,283	\$ 8,845	\$ 283,534
Accumulated depreciation	<u>(234,390)</u>	<u>(9,062)</u>	<u>(431)</u>	<u>(243,883)</u>
Net book value	<u>31,016</u>	<u>221</u>	<u>8,414</u>	<u>39,651</u>
Leasehold improvements	633	-	-	633
Accumulated amortization	<u>(633)</u>	<u>-</u>	<u>-</u>	<u>(633)</u>
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Law Library	38,557	-	-	38,557
Accumulated depreciation	<u>(23,136)</u>	<u>-</u>	<u>-</u>	<u>(23,136)</u>
Net book value	<u>15,421</u>	<u>-</u>	<u>-</u>	<u>15,421</u>
Total net book value	<u>\$ 46,437</u>	<u>\$ 221</u>	<u>\$ 8,414</u>	<u>\$ 55,072</u>

Note 6 - FIXED ASSETS - (continued)

The total net book value of fixed assets is included as a component of the unrestricted net asset total.

Note 7 - LEASE COMMITMENTS

CALSC leases office space for its operations in Baton Rouge, Donaldsonville, Houma and Gonzales. Minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year are:

<u>Year</u>	<u>Baton Rouge</u>	<u>Donaldsonville</u>	<u>Totals</u>
2000	\$ 45,000	\$ 6,000	\$ 51,000
2001	<u>26,250</u>	<u>6,000</u>	<u>32,250</u>
	\$ 71,250	\$ 12,000	\$ 83,250
	=====	=====	=====

The lease agreements provide that, in the event funding from LSC is eliminated or severely impaired, CALSC may cancel the leases upon providing written notice. The Baton Rouge office lease is cancelable with a 60 day written notice and the Donaldsonville lease is cancelable with a 30 day notice.

The Baton Rouge and Donaldsonville leases are included in the schedule of minimum payments for operating leases because there is no indication that the conditions required to cancel the leases will occur. The Houma and Gonzales office leases are not included because they do not have initial or remaining terms in excess of one year.

Lease expense, excluding the in-kind rent reductions, for office rentals totaled \$72,600 during the year.

CALSC's monthly rent for its Baton Rouge office is \$3,750 for the lease term of August 1, 1996 to July 31, 2001.

The monthly rent for the Houma office is \$1,050. The lease renews automatically on a calendar year basis for 1 additional year. CALSC has the option to cancel the lease upon thirty days notice to the lessor in the event CALSC's funds are decreased by LSC.



LEASE COMMITMENTS - (continued)

The monthly rent for the Donaldsonville office is \$500. CALSC has the option to renew its lease of the Donaldsonville office for five additional years at the end of the initial lease period (December 31, 2001). Notice of CALSC's exercise of this renewal option must be done within 60 days prior to December 31, 2001. Terms of the lease extension will be negotiated at that time.

The Gonzales office lease had a term of May 1, 1998 to April 30, 1999 at a monthly rate of \$750. CALSC renewed this lease for May 1, 1999 to April 30, 2000, at the same rate. This lease may be renewed again by CALSC no later than 90 days before the expiration date under the same terms, with the new rate to be negotiated and agreed to by mutual consent.

CALSC has leased land in Jackson, Louisiana for a trailer which it uses to service clients in that area. The lease term is May 1, 1995 to April 30, 2005. There is no charge for rent.

In December, 1996, CALSC entered into a lease purchase agreement for a telephone system consisting of the following terms:

<u>Monthly Payment</u>	<u>Number of Months</u>	<u>Lease Term</u>	<u>Imputed Interest Rate</u>
\$717.65	60	12/16/96 - 12/16/01	14.43%

Future minimum payments by year and in the aggregate, under this capital lease are as follows at December 31:

Year Ending 12/31

2000	\$ 8,612
2001	<u>7,893</u>
	16,505
Less imputed interest	<u>(2,160)</u>
Present value of net minimum lease payments	\$14,345 =====

Note 8 --

PRIVATE ATTORNEY INVOLVEMENT

CALSC is required to devote at least 12 1/2% of its basic LSC grant for private attorney involvement (PAI). CALSC charges the salaries and related benefits of individuals working directly for PAI and amounts paid to private attorneys to the PAI program. Also, other costs directly related to the program, such as; PAI staff training and travel, are charged directly to the program. Costs that are indirectly related are allocated to the program using a ratio of PAI direct labor hours for the period divided by total labor hours for the period times the total common costs. The indirect cost allocation to this program is done monthly. Approximately 7% of all indirect costs incurred during the year were allocated to PAI.

CALSC has agreements with the Baton Rouge Bar Foundation and the Louis A. Martinet Society to provide administrative services to manage the pro bono portion of CALSC's PAI program. For 1999, subrecipient awards under these agreements were as follows:

	<u>Amount Awarded</u>	<u>Amount Paid</u>
Baton Rouge Bar Foundation	\$38,000	\$38,000
Louis A. Martinet Foundation	<u>18,000</u>	<u>10,500</u>
	\$56,000	\$48,500
	=====	=====

Note 9 --

CONTINGENT LIABILITIES

A lawsuit was filed against CALSC wherein the plaintiff alleges CALSC failed to timely file responsive pleadings on behalf of one of CALSC's clients in a suit involving a promissory note. CALSC's attorney has recommended that management vigorously oppose the plaintiff's claim by attaching the validity of the underlying judgment on procedural grounds. Any potential loss in this case would be covered by CALSC's liability insurance with CALSC's out-of-pocket costs being limited to the \$1,000 deductible, which has not yet been paid. There has been very little activity in this case in the past two years and CALSC's attorney believes CALSC will prevail based on the investigation that has been done thus far on this case.

Note 9 -

CONTINGENT LIABILITIES - (continued)

CALSC has been sued by a former employee for wrongful termination. CALSC has won the initial exceptions filed in this case. CALSC intends to defend itself vigorously in this case. Management and CALSC's attorney believe there will be a favorable outcome for CALSC because the plaintiff in this case has filed bankruptcy and has not taken any action in a year. Although it is impossible to predict any potential loss, management feels CALSC exposure is minimal in this case.

A lawsuit has been filed against CALSC for alleged damages suffered by a client who received services from CALSC. The attorney representing CALSC has advised CALSC's management to vigorously contest the litigation believing the plaintiff's claims have prescribed. Costs to defend this case are being paid under CALSC's malpractice insurance policy. Management believes CALSC's dollar exposure in this case will be limited to the deductible (\$1,000) under the policy which has already been paid.

Note 10 -

IRC SECTION 125 CAFETERIA PLAN

On March 1, 1992, CALSC established an Internal Revenue Code Section 125 Cafeteria Plan with a flexible spending arrangement for its full-time employees. Under the flexible spending arrangement, participants may elect to have a portion of their compensation (salary reduction amounts) contributed (that is, withheld from their wages) to an individual account for the reimbursement of qualifying benefits or personal expenses instead of receiving the amount as compensation. As the qualifying expenses are incurred, they are reimbursed from the account. Neither the amount contributed nor the value of the qualifying benefits is included in the participant's income, because the plan provides that any amount remaining in the account at the end of the plan year will be forfeited by the participant. Types of benefits that can be paid under the plan include health insurance, life insurance, dependent care, and personal medical expenses not covered by health insurance.



Note 11 -

RETIREMENT PLAN

Effective July 1, 1997, CALSC began a retirement plan for its full-time employees. All full-time employees may make an elective contribution from 1% to 15% of their salaries to the plan. These contributions are 100% vested. In addition, CALSC may elect to make contributions for all plan participants with at least one full year of service. The CALSC board of directors established a 3% employer contribution rate for 1999. The rate for 1998 was also 3%. A plan participant does not vest in employer contributions until three years of service have been credited on his behalf. At that time all contributions made on his behalf are 100% vested.

Also, if a participant's employment ends due to retirement after age 65, disability or death, any employer contributions made on his behalf become fully vested irrespective of the 3 year vesting period.

During 1999, 28 employees participated in the plan. CALSC's contributions to the plan for 1999 were \$25,918. The plan operates on a calendar year (same year as CALSC). The wages for the eligible employees totaled \$881,814. All amounts have been contributed by CALSC as required by the plan.

Note 12 -

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

◆	Legal assistance program - Unused grant support from:	
	Point Coupee Parish Government	\$ 2,775
	Iberville Parish Police Jury	<u>2,384</u>
		5,159
◆	Legal assistance program - Donated rent for the Baton Rouge and Donaldsonville offices	<u>21,150</u>
	Total	\$ 26,309 =====

There were not any permanently restricted net assets received, disbursed, or included in net assets during 1999.



Note 13 -

FEDERAL AWARD PROGRAM

CALSC's primary support is from a LSC grant which represents a major federal award program. Accordingly, CALSC's financial statements were audited in accordance, with the Single Audit Act Amendments of 1996, OMB Circular A-133, and the LSC Audit Guide for Recipients and Auditors. No significant amount of costs were questioned by the auditor during the 1999 audit; however, LSC may provide for further examination. Based on prior experience, CALSC's management believes that further examinations would not result in any significant disallowances that would adversely affect CALSC's financial position. Any costs that would be disallowed would be recognized in the period agreed upon by the agency and CALSC.

In accordance with the Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133, a Schedule of Expenditures of Federal Awards is presented in the supplementary financial information section of this report.

Note 14 -

ECONOMIC DEPENDENCY

CALSC receives the majority of its revenue from funds provided through grants administered by the Legal Services Corporation (LSC). The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of funds CALSC receives could be reduced significantly and have an adverse impact on its operations.

CALSC's funding from LSC for 2000 is expected to be \$1,396,580.

CALSC's management has also been notified that it will not be receiving \$88,500 of IOLTA funds from the Louisiana Bar Foundation(LBF) and certain judicial districts next year. These grants were used to help pay for costs of providing legal services in rural parishes. The primary IOLTA grant (\$83,033) from the LBF was not discontinued.

Note 15 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any member. However, client board members are reimbursed in accordance with CALSC's travel reimbursement policy when attending meetings on behalf of CALSC.

Note 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

CALSC has a number of financial instruments, none of which are held for trading purposes. CALSC estimates that the carrying amount of all financial instruments at December 31, 1999, approximated their fair values.

Note 17 - RISK MANAGEMENT

CALSC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CALSC has purchased commercial insurance cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the fiscal year that exceeded CALSC's insurance coverage.

Note 18 - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The CALSC maintains its cash balances primarily in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 in each bank. At December 31, 1999, CALSC's uninsured cash balances totaled \$185,883, of which \$149,440 was collateralized by pledges of United States Government securities by the banks where deposits exceeded FDIC insurance coverage. The remaining \$36,443 was not collateralized.

The additional collateralization provided by these banks are normally enough to fully collateralize all deposits in excess of FDIC coverage. The uncollateralized balance at December 31, 1999 was caused because LSC wired 2 monthly payments for 2000 into CALSC's bank account on December 29, 1999. Sufficient funds were transferred from this account on January 14, 2000 to eliminate the uncollateralized balance.

SUPPLEMENTARY FINANCIAL INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

SCHEDULE OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
LEGAL SERVICES CORPORATION GRANT

For the Year Ended December 31, 1999  
(With Comparative Summarized Totals for the Year Ended December 31, 1998)

	Basic Field Award	Private Attorney Involvement	Total 1999	Total 1998
<b>SUPPORT AND REVENUES</b>				
Grant from Legal Services Corporation	\$1,164,216	\$234,264	\$1,398,480	\$1,327,832
Interest income	5,129	0	5,129	7,257
Fees charged for CLE seminar	0	0	0	825
<b>Total support and other revenues</b>	<b>1,169,345</b>	<b>234,264</b>	<b>1,403,609</b>	<b>1,335,914</b>
<b>EXPENSES</b>				
Salary and wages:				
Attorney	397,952	10,104	408,056	367,230
Non-attorney	392,078	57,637	449,715	422,044
Employee benefits	154,370	23,663	178,033	154,295
<b>Total personnel expenses</b>	<b>944,400</b>	<b>91,404</b>	<b>1,035,804</b>	<b>943,569</b>
Space and occupancy:				
Building rental	10,246	3,491	13,737	6,412
Utilities	15,963	1,348	17,311	21,467
Janitorial and building maintenance	10,969	802	11,771	11,652
Equipment rental	6,435	472	6,907	14,122
Equipment maintenance	33,663	3,063	36,726	30,160
Office expenses:				
Consumables	29,030	3,674	32,704	28,411
Postage	8,279	1,199	9,478	9,150
Advertising	342	205	547	702
Printing	944	69	1,013	1,101
Legal and paralegal consultants	1,450	53,950	55,400	64,295
Subrecipient awards - Schedule 5	0	48,500	48,500	46,836
Telephone	42,028	6,389	48,417	50,205
Travel	14,538	4,979	19,517	15,183
Training	26,318	5,074	31,392	25,971
Library additions and subscription renewals	22,501	1,740	24,241	18,983
Insurance	16,276	1,185	17,461	16,844
Staff parking	9,885	3,582	13,467	17,086
Audit fees	14,652	961	15,613	14,865
Equipment purchases under capitalization limit	17,637	0	17,637	11,209
Interest expense	2,555	0	2,555	3,365
Consultants and payroll services	8,609	627	9,236	3,291
Meetings	2,947	128	3,075	2,666
Dues and memberships	2,243	147	2,390	2,370
Litigation	0	1,275	1,275	317
Bank charges	227	0	227	283
Property taxes	96	0	96	89
<b>Total expenses</b>	<b>1,242,233</b>	<b>234,264</b>	<b>1,476,497</b>	<b>1,360,604</b>
<b>SUPPORT AND REVENUES OVER(UNDER) EXPENSES</b>	<b>(72,888)</b>	<b>0</b>	<b>(72,888)</b>	<b>(24,690)</b>
<b>OTHER CHANGES IN NET ASSETS DURING THE YEAR</b>				
Principal payments on capital lease	(6,058)	0	(6,058)	(5,248)
Equipment acquisitions which were capitalized	(1,111)	0	(1,111)	0
Expenses absorbed by grant from the Loyola School of Law	3,000	0	3,000	0
Expenses absorbed by grant from the Baton Rouge Bar Foundation	0	0	0	3,367
Expenses absorbed by transfers from unrestricted net assets	70,386	0	70,386	0
<b>Net other changes</b>	<b>66,217</b>	<b>0</b>	<b>66,217</b>	<b>(1,881)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>6,671</b>	<b>0</b>	<b>6,671</b>	<b>33,242</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>(\$0)</b>	<b>\$0</b>	<b>(\$0)</b>	<b>\$6,671</b>



**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
IOLTA PRIMARY GRANT**

**For the Year Ended December 31, 1999**

**SUPPORT AND OTHER REVENUES**

Grant from the Louisiana Bar Foundation	\$83,033
Interest Income	55
	83,088
Total support and other revenue	83,088

**EXPENSES**

Salaries and wages	
Attorney	27,500
Non-attorney	33,491
Employee benefits	10,806
	71,797
Total personnel expenses	71,797
Travel	4,053
Training	1,000
Audit fee	1,854
Access to Justice	4,384
	83,088
Total expenses	83,088

CHANGE IN NET ASSETS 0

NET ASSETS AT BEGINNING OF YEAR 0

NET ASSETS AT END OF YEAR \$0

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
BAR ASSOCIATION GRANTS**

*For the Year Ended December 31, 1999*

	<u>17th JDB</u>	<u>18th JDB</u>	<u>20th JDB</u>	<u>23rd JDB</u>	<u>32nd JDB</u>	<u>40th JDB</u>
<b>SUPPORT AND OTHER REVENUES</b>						
Grant support	<u>\$14,000</u>	<u>\$15,500</u>	<u>\$14,000</u>	<u>\$15,500</u>	<u>\$14,000</u>	<u>\$15,500</u>
Total support and other revenues	<u>14,000</u>	<u>15,500</u>	<u>14,000</u>	<u>15,500</u>	<u>14,000</u>	<u>15,500</u>
<b>EXPENSES</b>						
Salaries and wages:						
Attorney	0					
Non-attorney	12,000	13,717	12,000	13,717	12,000	13,717
Employee benefits	<u>2,000</u>	<u>1,783</u>	<u>2,000</u>	<u>1,783</u>	<u>2,000</u>	<u>1,783</u>
Total personnel expenses	<u>14,000</u>	<u>15,500</u>	<u>14,000</u>	<u>15,500</u>	<u>14,000</u>	<u>15,500</u>
<b>CHANGE IN NET ASSETS</b>	0	0	0	0	0	0
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 1999

<u>Federal Grantor</u>	<u>Recipient No.</u>	<u>LSC Grant No.</u>	<u>Federal CFDA No.</u>	<u>Program or Award Amount</u>	<u>Grant Revenue Received</u>	<u>Federal Expenditures</u>
Legal Services Corp.	619010	980001	None	\$1,327,832	\$0	\$6,671 (*)
Legal Services Corp.	619010	990001	None	1,398,480	1,398,480	1,398,480
				<u>\$2,726,312</u>	<u>\$1,398,480</u>	<u>\$1,405,151</u>

The accompanying notes are an integral part of this schedule

(\*) Represents money received in 1998 which was carried over to 1999 and spent in that year.

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note B - Subrecipients

Capital Area Legal Services Corporation provided federal awards to subrecipients as follows:

<u>Source of Federal Funds</u>	<u>Subrecipients</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Legal Services Corporation	Baton Rouge Bar Foundation	None	\$38,000
Legal Services Corporation	Louis A. Martinet Foundation	None	10,500
			<u>\$48,500</u>

Note C - No federal awards were expended in the form of noncash assistance during the year.

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF SUBRECIPIENT CASH RECEIPTS AND DISBURSEMENTS**

**For the Year Ended December 31, 1999**

	Baton Rouge Bar Foundation	Louis A. Martinet Foundation	Subrecipient Totals
Cash received from CALSC under subgrant agreement	\$38,000	\$10,500	\$48,500
<i>Cash disbursements:</i>			
Attorney salaries	0	8,600	8,600
Non-attorney salaries	15,995	0	15,995
Employee benefits - payroll taxes & health insurance	1,224	658	1,882
Rent	5,400	0	5,400
Utilities	1,249	0	1,249
Office consumables	2,293	0	2,293
Postage	1,536	0	1,536
Printing	1,485	0	1,485
Legal consultants	0	450	450
Telephone	2,846	0	2,846
Professional fees	723	0	723
Court costs	563	0	563
Travel	2,617	712	3,329
Conference registration	1,400	0	1,400
Insurance	67	0	67
Bank charges	0	80	80
Meetings	602	0	602
<b>Total cash disbursements</b>	<b>38,000</b>	<b>10,500</b>	<b>48,500</b>
Cash receipts over (under) cash disbursements	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

December 31, 1999

Last year's audit did not report any findings or questioned costs relative to federal award programs that met the criteria provided in Section .510(a) of OMB Circular A-133.

However, the auditor issued a management letter reporting two departures from CALSC's personnel policy as follows:

Management Letter Recommendations

98IC #1: CALSC's vacation policy needs to be reviewed to determine if it is functioning as intended.

Status: Unresolved

98IC #2: CALSC's travel reimbursement policy is not operating as designed.

Status: Unresolved.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

For the Year Ended December 31, 1999

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Capital Area Legal Services Corporation.
2. Reportable conditions were disclosed during the audit of the financial statements and have been reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The reportable conditions were not considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Capital Area Legal Services Corporation were disclosed during the audit.
4. Reportable conditions relating to the audit of the major federal award program were reported in the "Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133." The reportable conditions were not considered to be material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the Capital Area Legal Services Corporation expresses an unqualified opinion.
6. There are no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. There was only one federal award program and that program was tested as a major program. That program is as follows:  
  
Legal Service Corporation  
Recipient #619010  
LSC Grant #990001  
Federal CFDA # - None
8. The threshold for distinguishing Types A and B programs was \$300,000.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)

**A. SUMMARY OF AUDIT RESULTS - (continued)**

9. Capital Area Legal Services Corporation was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

Reportable Conditions - Internal Control

#99-1: Failures To Follow Up and Correct Departures From Company Procedures and Controls

Application: All programs

Statement of Condition:

CALSC's management was aware of repeated instances where company policies and procedures were not being followed and action was not taken to prevent recurrence of the departures, or action was not taken to re-write the policies and procedures to reflect the intentions of management.

In last year's management letter I noted that CALSC's vacation policy needed to be reviewed to determine if it was functioning as intended. I also pointed out that CALSC's Executive Director had not been following CALSC's travel policy. CALSC's management stated it would take corrective action in response to my findings but did not resolve them because similar occurrences happened again in 1999.

The first policy that appears to not reflect the intent of management is the vacation policy. There is a group of employees who always have more than 80 hours of vacation at year end, yet are granted a waiver to carry over their hours each year. CALSC's vacation policy states that "For 1994, and thereafter an employee may not carry over to the succeeding years more than eighty hours of annual leave unless prior express written approval is obtained from the executive director." The policy implies that the request and approval process should be completed before the end of the year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)

In response to my prior year finding, CALSC'S management stated it would address the wording of the vacation policy at a board of directors meeting and clarify management's intent to avoid confusion amongst employees. However, no action was formally taken to resolve this matter in 1999.

The second policy and procedure that I reported last year as having not been followed related to travel reimbursement. CALSC's travel policy requires an advance to be reconciled within ten days of the trip or purpose of the advance. If not reconciled within that time frame, the unpaid balance is supposed to be deducted from the employee's paycheck.

A \$5,000 advance was made from Entergy Corporation's grant funds to the Executive Director on June 17, 1998. The advance was to provide funds that could be used to reimburse low income clients for travel costs they incurred while attending the National Low Income Entergy Conference in New Orleans. However, an expense report was not turned in and reconciled until after December 31, 1998. The amount due back to CALSC was \$4,327.94. The director's response, for the lengthy delay in remitting a reconciliation report relating to this advance, was that he was waiting to get signed voucher receipts from each client who received money from him for attending the conference. As a result, the reconciliation for the advance could not be completed within the required time frame because the necessary documentation had not been received for all money that was disbursed to the clients.

During 1999, CALSC's Director of Finance requested the \$4,327.94 be repaid to CALSC. The Executive Director wrote a check for the full amount but it did not clear the bank. Repeated efforts were made by the Director of Finance to collect the outstanding advance.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)

Despite the fact that an advance of \$4,327.94 was still outstanding, the Executive Director continued to receive travel advances during 1999 that were not accounted for within the time frame set forth by CALSC's policy. Most of the required documentation for 1999 advances was not received until after the end of 1999. At that time, it was determined that travel advances exceeded expenditures by \$26.51. Accordingly, at December 31, 1999, the amount of the Executive Director's outstanding travel advances increased to \$4,354.45. On February 4, 2000, the Executive Director repaid \$2,400 decreasing the travel advance balance to \$1,954.45 as of the date of my audit report (March 22, 2000).

The third policy that was not followed related to the timely submission of time sheets and related TMS sheets. CALSC's policy states that time sheets and TMS sheets must be turned in to the accounting department before a paycheck is received. This policy was enforced for all personnel during 1999 except the Executive Director. Many of his time and TMS sheets for 1999 were not turned in until after the end of the year.

Effects:

In presenting the financial statements for 1999, CALSC has not reflected any amounts in the accrued vacation liability in cases where an employee's vacation hours exceed the limits set forth in its policy. Accordingly, there are no questioned costs relating to this matter.

The unpaid travel advance involves non-federal funds, but the failure to follow CALSC's policy relating to travel advances relates to all programs. The Executive Director intends to repay the travel advance. Accordingly, no costs have been questioned at this time.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)

No questioned costs resulted from the untimely submission of the Executive Director's time sheets. Sufficient information was available to ascertain the reasonableness of his salary allocations to programs and functions.

Recommendations:

Vacation Policy

I recommend that the Board of Directors revisit the policy and clarify the procedure and intent. Should the employee always be responsible for submitting the carryover request? When is the final cutoff date to do this? What justifies a carryover? Who should be involved in the approval process - Director of Personnel; Executive Director; and/or the Board's Personnel Committee? How much of a liability can CALSC afford to accumulate for unpaid vacation in relation to the funds that are available to pay this liability?

Travel Policy

I recommend that the Board of Directors implement a policy that no travel advances will be made unless: 1) all prior advances have been reconciled and any balance due is repaid in full, and 2) the employee signs an authorization to withhold any outstanding advances from his next paycheck if the advance is not reconciled within ten days after the end of the trip. In addition, the Board should determine why the Executive Director has been unable to repay a travel advance made to him in 1998.

Payroll Policy

I recommend that the Board specifically instruct the Director of Finance to enforce CALSC's policy of not issuing a paycheck to an employee who fails to turn in TMS and time sheets on time.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)

Management's  
Response:

The auditor discussed this finding with CALSC's Budget, Audit, and Finance Committee at a meeting on April 18, 2000. The Committee accepted the auditor's finding and discussed various ways to implement his recommendations to prevent recurrence in the future and strengthen current policies. Later that same day, CALSC's board of directors met at a regularly scheduled meeting at which time it was made aware of the auditor's findings. A special committee was appointed to resolve the findings. The corrective action currently anticipated to be taken has been discussed in the "Management's Corrective Action Plan" section of this report package beginning on page 52.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

Finding 99-1 noted in Section B here above also represents reportable conditions in internal control over the CALSC's major federal award program because the same internal control system is used for all CALSC's activities. There were no questioned costs discovered by me that require reporting in this section. There were no other findings that need to be reported in this section. The major federal program that is affected by this finding is identified in item 7 of Section A. The description of the finding and CALSC's response are the same as reported in Section B.

**D. MANAGEMENT LETTER**

A management letter was issued by the auditor for this year's audit and a copy has been included as the next section of this reporting package.

# NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

14481 OLD HAMMOND HIGHWAY, SUITE 4

BATON ROUGE, LA 70816

MEMBER OF THE  
SOCIETY OF LOUISIANA CPAS

MEMBER OF THE  
AMERICAN INSTITUTE OF CPAS

PHONE (225) 272-1177

## MANAGEMENT LETTER

March 22, 2000

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

I have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 1999, and have issued my report dated March 22, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133.

As part of my audit, I also issued a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated March 22, 2000, and a report on compliance with requirements applicable to each major federal award program and on internal control over compliance in accordance with OMB Circular A-133, dated March 22, 2000.

During the course of my audit, I became aware of other matters involving internal control that are deserving of your attention.

ML #1: CALSC Needs To More Closely Monitor Its EPS Grant Activity

CALSC owes Capital Area Agency on Aging money back for two elderly protective grants that have been completed. The program which ended June 30, 1998, underspent grant funds that CALSC received by \$4,842.88 and the fiscal year 1999 grant was underspent by \$9,881.92. These are cost reimbursement grants which means that CALSC cannot be entitled to recognize revenue under grant awards until it has spent money for allowable costs. Part of the reason that the total amount of the grant awards was not spent related to the fact that there were personnel changes in the EPS department which resulted in actual



Management Letter - (continued)

costs being less than budgeted expenses. In addition, \$5,300 was escrowed under the fiscal year 1999 grant to pay for anticipated costs relating to unemployment claims. These claims did not materialize by June 30, 1999, therefore, the escrowed funds represent unearned revenue.

I recommend that management contact Capital Area Agency on Aging about this matter and repay these funds as soon as possible so that they can be returned to the state treasury. I also recommend that, to maximize the use of these funds provided to the EPS program, the accounting department more closely monitor the progress of the grant as it approaches its fiscal year end. If you would like, I can help review the accounting for the grant as it is reported on the final report to Capital Area Agency on Aging to catch errors that may have been made in the compilation of the report information. When I audit this particular grant it is too late to make any changes to the final report. Accordingly, if I were able to "audit" the grant activity before the deadline for making corrections passes, CALSC may be able to maximize its reimbursement and prevent other errors.

In my review of the EPS grant award I noticed that there are certain line items within the budget that were exceeded but budget amendments were not submitted to Capital Area Agency on Aging. The costs incurred under the grant are justifiable, in my opinion, but the grant agreement requires that budget amendments be submitted in writing when actual costs exceed budget amounts by more than 10%. In addition, the final report for the EPS grant for fiscal year 1999 originally reported total expenditures of \$134,200 whereas according to my audit the total expenditures under this grant award were \$124,608. This has resulted in additional funds being owed back to Capital Area Agency on Aging when CALSC's management has probably been under the impression that no additional funds were due back to Capital Area Agency on Aging. Therefore, it is very important to reconcile the information within your books to what is being reported. Budget versus actual costs also need to be compared more frequently during the year.

Management Letter - (continued)

ML #2: Vehicles May Have Been Leased Prematurely In 2000

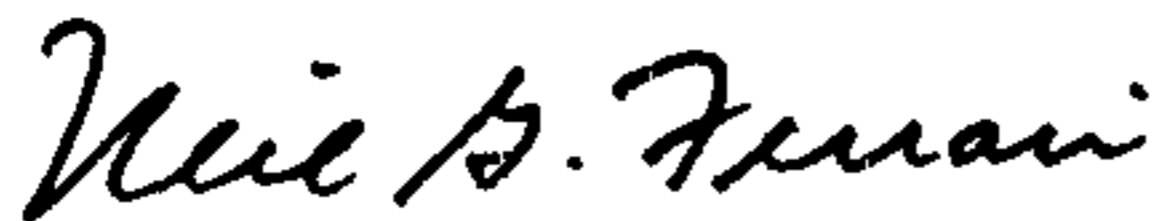
In my review of subsequent events, I noticed that CALSC leased two vehicles and the leases were signed on February 4, 2000. However, a request was not made to LSC to obtain its authorization to lease these vehicles until February 24, 2000. It is my understanding that LSC's approval is needed prior to the final negotiation of lease contracts. If, in this case, the process was not completely followed, I recommend that CALSC's management request a written waiver from LSC regarding the process used to lease these vehicles.

ML #3: Company Policy Needed On The Use of Leased Vehicles

Because the company has leased two vehicles, it is important a written policy be developed setting the limits for employee use. Will the employee be allowed to commute to and from work in this vehicle? Will any personal use be allowed? Does management understand that there could be tax implications to the people who use these vehicles for personal reasons? Have discussions been held with your insurance carrier to discuss what happens if an employee uses a vehicle for an unauthorized purpose? These are some of the issues that need to be addressed as soon as possible to prevent problems relating to the use of the leased vehicles. It is my recommendation that the board of directors act upon this as soon as possible.

I recommend management address the foregoing issues as an improvement to operations and the administration of public programs. I am available to further explain these matters or to help implement recommendations.

Sincerely,



Neil G. Ferrari, CPA



LAW OFFICES OF  
**CAPITAL AREA LEGAL SERVICES CORPORATION**

200 THIRD ST.  
BATON ROUGE, LA 70801

TEL. (225) 387-5173  
FAX (225) 387-4802

JAMES A. WAYNE, SR., EXECUTIVE DIRECTOR

MANAGEMENT'S CORRECTIVE ACTION PLAN

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

December 31, 1999

To the following oversight agencies for audit:

Federal: Legal Services Corporation

State: Legislative Auditor of the State of Louisiana

Capital Area Legal Services Corporation (CALSC), Baton Rouge, Louisiana, respectfully submits the following corrective action plan for the year ended December 31, 1999.

Name and address of independent public accounting firm: Neil G. Ferrari, CPA, 14481 Old Hammond Highway, Suite 4, Baton Rouge, Louisiana, 70816.

Audit period: For the year ended December 31, 1999.

The findings from this year's Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule. Section A of the schedule, Summary of Auditor Results, does not include findings and is not addressed in this corrective action plan.

**B. Findings - Financial Statement Audit**

**Reportable condition - Internal Control**

Finding #99-1: Failure To Follow Up and Correct Departures From Company Procedures and Controls



## Auditor's Recommendations

### Vacation Policy

I recommend that the Board of Directors revisit the policy and clarify the procedure and intent. Should the employee always be responsible for submitting the carryover request? When is the final cutoff date to do this? What justifies a carryover? Who should be involved in the approval process - Director of Personnel; Executive Director; and/or the Board's Personnel Committee? How much of a liability can CALSC afford to accumulate for unpaid vacation in relation to the funds that are available to pay this liability?

### Travel Policy

I recommend that the Board of Directors implement a policy that no travel advances will be made unless: 1) all prior advances have been reconciled and any balance due is repaid in full, and 2) the employee signs an authorization to withhold any outstanding advances from his next paycheck if the advance is not reconciled within ten days after the end of the trip. In addition, the Board should determine why the Executive Director has been unable to repay a travel advance made to him in 1998.

### Payroll Policy

I recommend that the Board specifically instruct the Director of Finance to enforce CALSC's policy of not issuing a paycheck to an employee who fails to turn in TMS and time sheets on time.

## Management's Response and Corrective Action

### Vacation Policy

The Board of Directors met on the same date the audit report was received from CALSC's independent auditor. The Budget, Audit and Finance Committee reported the auditor's findings to the Board of Directors. The Executive Director has been directed to cease all waivers of policy as it related to annual leave carryover. No requests for leave carryover after December 31 of each year will be granted. The Board of Directors will review the entire leave policy and consider lowering the amount of leave each employee can carry over into the next year from 80 hours to 50 hours.



### Travel Policy

The Executive Director did not timely submit travel reconciliation reports. The Board of Directors has admonished the Executive Director of his responsibility to lead and set an example in complying timely with travel policy. The Board has directed the Finance Department to not make any travel advances to any employee until the travel report for previous travel has been completed. The travel report form will be revised to add a consent agreement between the employee and CALSC whereby the employee will authorize CALSC to withhold from the employee's paycheck any outstanding amount relating to a travel advance that is not timely reconciled. The Director of Budget and Finance will have authority to report any abuse of this policy. As to the unreconciled travel advance made to the Executive Director in 1998, Entergy Corporation was made aware of the circumstances relating to the reason why the advance is still outstanding. The Board of Directors is currently awaiting a reply from Entergy before determining what corrective action is necessary.

### Payroll Policy

The Board of Directors has instructed the Director of Finance to strictly enforce the payroll policy that states that no payroll check will be issued to an employee until the TMS report and time sheet are submitted.

#### **C. Findings and Questioned Costs - Major Federal Award Program Audit**

The findings, recommendations, and corrective action that were described for Finding 99-1 here above, also applies for this section.

#### **D. Management Letter**

ML #1: CALSC Needs To More Closely Monitor Its EPS Grant Activity

#### Management's Response

The Executive Director will direct the Director of Finance to submit monthly spread sheets showing the total amount of funds spent during the month, the amount remaining in the budget for the remainder of the year and the percentage of funds spent to date. A copy of this report will be forwarded to the Chairman of the Board of Directors and the Budget, Audit, and Finance Committee chairman. The Executive Director will be directed to be more involved in the administration of the Elderly Protective Services Program.

ML #2: Vehicles May Have Been Leased Prematurely In 2000

Management's Response

The Board of Directors has been fully briefed on the circumstances of the lease of company vehicles. CALSC is waiting for LSC's final approval for the one vehicle that will be used by the Executive Director and paid for with LSC funds. The vehicle used by Margaret Jefferson was leased with non LSC funds, therefore, it is not subject to LSC policy relating to the leasing of certain assets.

ML #3: Company Policy Needed On The Use of Leased Vehicles

Management's Response

The Budget, Audit and Finance Committee will propose permanent policies to govern the use of CALSC's vehicles. Starting immediately the Executive Director and Margaret Jefferson are authorized to use the two corporate vehicles. Other staff maybe permitted to use the vehicles for corporate business. For security purposes the Executive Director and Margaret Jefferson are authorized to drive the vehicles home. The Executive Director is on 24 hour call and may use the vehicle assigned to him 24 hours per day. Margaret Jefferson frequently travels out-of-town and it is more efficient and economical for her to leave directly from home. For any personal use of the vehicle, a log will be maintained by the user and submitted to the Finance Department.

If there are any questions regarding this corrective action plan, please call Jim Wayne at (225) 387-5173, extension 285.