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DESIRE NARCOTICS REHABILITATION CENTER, INC.

INDEPENDENT AUDITOR'S REPORT AND REPORTS ON FEDERAL AWARDS, INTERNAL CONTROL AND COMPLIANCE

For the Year Ended June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 FEB 0 9 2000

DESIRE NARCOTICS REHABILITATION CENTER, INC.

JUNE 30, 1999

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FINANCIAL INFORMATION SECTION

SUPPLEMENTARY INFORMATION

ESA
EILEEN SHANKLIN ANDRUS
CERTIFIED PUBLIC ACCOUNTANT

Member of the American Institute of Certified Public Accountants

Member of the Louisiana Society of Certified Public Accountants

2100 3rd St., Ste. 9
KENNER, LA 70062
OFFICE: (504) 468-9007
FAX: (504) 468-9927
1-800-922-1205

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Desire Narcotics Rehabilitation Center, Inc.
4114 Old Gentilly Road
New Orleans, LA

I have audited the accompanying statement of financial position of Desire Narcotics Rehabilitation Center, Inc. (a nonprofit entity) as of June 30, 1999 and the related statement of activity and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Board'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, *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desire Narcotics Rehabilitation Center, Inc. as of June 30, 1999 and the changes in net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 8 of these financial statements the Center has suffered recurring losses and significant reductions in grant revenues and has incurred a net deficiency in net assets for the past three years, which causes doubt about the Center's ability to continue as a going concern.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 16, 1999 on my consideration of Desire Narcotic's Rehabilitation Center's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule of expenditures of federal awards, schedule of findings and other supplementary information is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and *Governmental Auditing Standards*, and is not a required part 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.

Eileen S. Andrus

Eileen Shanklin Andrus
CERTIFIED PUBLIC ACCOUNTANT

August 16, 1999

DESIRE NARCOTICS REHABILITATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1999

ASSETS

Cash-operating	$	83
Grants Receivable		153,001
Other Receivables		300,000
Furniture and Fixtures (net of accumulated depreciation of $128,275)		2,947
Total Assets	$	456,031

LIABILITIES & NET ASSETS

iabilities:		
Accounts Payable	$	33,773
Checks Issued in Excess of Cash		220,557
Wages Payable and Withholding		813,568
Line of Credit		250,000
Advances from Executives		600,515
Total Liabilities		1,918,413
Net Assets		(1,462,382)
Net Assets and Liabilities	$	456,031

See accompanying notes.

DESIRE NARCOTICS REHABILITATION CENTER, INC.

STATEMENT OF ACTIVITIES

JUNE 30, 1999

INCREASES IN UNRESTRICTED NET ASSETS		
Support & Revenue:		
Federal Grant Revenues	$	463,946
State Grant Revenues		539,649
Contractual		106,145
Contributions of Patrons		154,420
Total Increase in Net Assets		1,264,160
DECREASES IN UNRESTRICTED NET ASSETS		
Program Expenses:		
Drug Rehabilitation		1,032,832
Housing Assistance		172,972
Total Program Expenses		1,205,804
Support Expenses:		
Management and Administrative		269,474
Total Support Expenses		269,474
Total Decrease in Net Assets		1,475,278
Net Increase (Decrease) in Net Assets		(211,118)
Net Assets		
Beginning Net Assets 6/30/98, as previously stated		(1,307,038)
Prior Period Adjustment		55,774
Beginning,Net Assets , as restated		(1,251,264)
Ending Net Assets at 6/30/99	$	(1,462,382)

See accompanying notes.

DESIRE NARCOTICS REHABILITATION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1999

	Program Services		Supporting Services	
	Drug Rehab	Housing Assistance	Management and General	Total
Aids Outreach	$ 152,828	--	--	$ 152,828
Chemotherapy	100,808	--	--	100,808
Drug Free	407,155	--	--	407,155
Infinity	278,138	--	--	278,138
Ryan White	17,307	--	--	17,307
Target Cities	64,675	--	--	64,675
Hano	--	$ 1,000	--	1,000
Shelter Plus	--	171,972	--	171,972
Salaries	--	--	$ 58,336	58,336
Professional Fees	--	--	57,312	57,312
Contributions	--	--	51,254	51,254
Depreciation	--	--	43,666	43,666
Casual Labor	--	--	4,766	4,766
Advertising	--	--	354	354
Bank Charges	--	--	2,601	2,601
Client Medication	400	--	--	400
Subscriptions	--	--	2,116	2,116
Repairs	--	--	6,473	6,473
Insurance	--	--	14,792	14,792
Miscellaneous	--	--	605	605
Printing	--	--	969	969
Medical Supplies	11,521	--	--	11,521
Office Supplies	--	--	5,308	5,308
Utilities	--	--	6,821	6,821
Telephone	--	--	14,101	14,101
Total	$ 1,032,832	$ 172,972	$ 269,474	$ 1,475,278

See accompanying notes.

DESIRE NARCOTICS REHABILITATION CENTER, INC.
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1999

Cash flows from Operating Activiites:	
Decrease in Net Assets	$ (211,118)
Add: Depreciation Expense	46,666
(Increase) Decrease in Assets:	
Grant Receivables	65,854
Other Receivables	(253,998)
Increase (Decrease) in Liabilities:	
Accounts Payable	(160,849)
Checks Issued in Excess	417,480
Wages Payable	469,724
Net Cash Provided (used) provided by Operating Activities	373,759
Cash Flows from Investing Activities	
Purchase of Equipment	(1,523)
Net Cash Provided (Used) in Investing Activities	(1,523)
Cash Flows from Other Financing Activities	
Payments on Advances from Officers	(413,768)
Net Cash Provided (Used) by Financing Activities	(413,768)
Net (Decrease)in Cash and Cash Equivalents	(41,532)
Cash and Cash Equivalents at June 30, 1998	41,615
Cash Equivalents at June 30, 1999	$ 83

See accompanying notes.

DESIRE NARCOTICS REHABILITATION CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Center is a nonprofit community based organization created for the purpose of combating substance abuse in and around the Desire Community located in New Orleans, Louisiana.

The Center was incorporated in 1970. The Center's philosophy is:

> " to implement a comprehensive program that concentrates on the treatment and rehabilitation of the substance abuser, through focusing on assisting the individual to develop new living patterns for coping with the forces contributing to his/her usage, as well as, bringing about positive alteration of the community environment in which incidences of substance abuse along with its resultant problems thrive."

B. The Center operates the following programs to accomplish its objective as noted above:

The <u>Infinity</u> program provides counseling and rehabilitation to substance abusing pregnant women and their children.

The <u>Target Cities</u> program provides administrative costs for staff needed to run the various programs

The <u>Drug Free</u> program provides diagnostic, therapeutic, and social support services to ex-addicts and potential addicts. The court liaison sub-phase provides advocacy through interfacing with the courts for clients, their families and the community.

The <u>Homeless</u> program provides comprehensive social and medical services for the homeless. The Center provides treatment and counseling to meet the needs of homeless substance abusers.

The <u>Chemotherapy</u> program recruits addicts to assist in eliminating their heroin and/ or morphine drug dependency and provides methadone maintenance. Comprehensive services are delivered to clients from program entry through treatment.

The <u>Aids Outreach/Ryan White</u> program provides for condom distribution, street and community outreach, HIV prevention, counseling and testing.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets- Net Assets subject to donor-imposed stipulation that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net Assets subject to donor-imposed stipulations that must be maintained. These restrictions do not expire with the passage of time.

Presently, all of the Center's funds are considered unrestricted because they are on a reimbursement and/or fee for services basis.

D. Property and Equipment

The Center's furniture and equipment is recorded at cost. Depreciation is computed annually over the estimated useful life of the asset. All of the Center's fixed assets are being depreciated over a three year period.

E. Tax Exempt Status

Desire Narcotics Rehabilitation Center is a nonprofit organization under Internal Revenue Code Sections 501(c) (3); therefore, no provision has been made for federal or state income taxes.

DESIRE NARCOTICS REHABILITATION CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

June 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. Accrued Compensated Absences

Employees of the Center earn paid vacation at a rate of two weeks per year and paid sick time at a rate of one week per year. Any vacation or sick time not taken cannot be carried over to subsequent years.

G. Cash Equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

NOTE 2 - ACCOUNTS RECEIVABLE

The Center had the following amounts due from their grantors at June 30, 1999:

Chemotherapy	$ 9,764
Aids Outreach	34,356
Infinity	25,616
Drug Free	39,066
Shelter Plus	44,199
Total	$153,001

These amounts result from grant expenses incurred, which had not been reimbursed at June 30, 1999.

DESIRE NARCOTICS REHABILITATION CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

June 30, 1999

NOTE 3- FURNITURE AND FIXTURES

The Center's furniture and fixtures consist of the following:

	Beginning Balance	Additions	Ending Balance
Equipment and furnishings	$ 103,548	$ 1,523	$105,071
Vehicles	26,151		26,151
Total	$129,699	$ 1,523	131,222
Less: Accumulated Depreciation			(128,275)
Net Fixed Assets			$ 2,947

Total depreciation expense totals $43,666 at June 30, 1999.

NOTE 4 - ADVANCE FROM OFFICERS

The amount due to officers represent advances made to the Center in the form of cash or unpaid salary amounts. These amounts are non-interest bearing and are payable upon demand.

NOTE 5- LINE OF CREDIT

The Center has a line of Credit with a local lending institution totaling approximately $250,000 bearing interest at a rate of 11 % payable on demand and secured by personal property of the Executive Director.

NOTE 6 - OPERATING LEASES

The Center has a one year operating lease expiring on September 30, 1999 for the lease of property used for the Infinity program. Total amount of rent charged during the audit period is $36, 000 which was donated for the entire year. See note 7.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Executive Director and the Assistant Executive Director have contributed financial support to the Center for several years. These amounts are reflected in Advances from Officers. The Executive Director has also pledged personal assets to secure the line of credit established by the Center, as well as donated rent when needed.

NOTE 8 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government and the City of New Orleans. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Center expects such amounts, if any, to be immaterial.

NOTE 9 - GOING CONCERN

The Center has suffered recurring significant reductions in grant revenues and has incurred a net deficiency in net assets for the past three years.

Management plans to secure additional funding, which will help, alleviate the financial hardship the agency is suffering from.

NOTE 10 - LITIGATION

The Center is still a party to litigation whereby the Center's operating account was levied in error for approximately $43,000. The Center is in the process of asserting their rights for return of their funds because they feel the levy was illegal and inappropriate. The outcome of this litigation is still unknown at June 30, 1999.

NOTE 11 - SUBSEQUENT EVENT

Subsequent to the Center's year end the State of Louisiana Department of Health and Hospitals granted the Center an allocation of $500,000 "to provide public methadone treatment on a statewide basis. "

NOTE 12 - CONCENTRATIONS

The majority (90%) of the Center's funding comes from federal and state funding in the form of contracts and grants.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The amounts shown as a prior period adjustment is the result of older outstanding checks that have been voided and not taken off of the outstanding check listing. This adjustment resulted in an increase in cash and an increase in unrestricted net assets of $55, 774.

SUPPLEMENTARY INFORMATION

DESIRE NARCOTICS REHABILITATION, INC.

SCHEDULE OF FEDERAL EXPENDITURES

For the Year Ended June 30, 1999

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number		Expenses
U.S. Centers for Disease Control			
Pass through From the State Department of Human Services, Division of Alcohol Abuse			
Target Cities	93.196	$	58,363
Pass through the City of New Orleans Department of Health			
Ryan White	93.934		10,573
Aids Outreach	93.934		116,415
* Infinity	14.263		269,341
Total Direct and Pass Through Federal Financial Expenditures		$	454,692

See accompanying notes.

ESA
EILEEN SHANKLIN ANDRUS
CERTIFIED PUBLIC ACCOUNTANT

Member of the American Institute of Certified Public Accountants

Member of the Louisiana Society of Certified Public Accountants

2100 3rd St., Ste. 9
KENNER, LA 70062
OFFICE: (504) 468-9007
FAX: (504) 468-9927
1-800-922-1205

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

Board of Directors
Desire Narcotics Rehabilitation Center, Inc.
4114 Old Gentilly Road
New Orleans, LA

I have audited the financial statements of the Desire Narcotics Rehabilitation Center, Inc. (a non-profit organization) as of and for the year ended June 30,1999, and have issued my report thereon dated August 16, 1999. 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.

As part of obtaining reasonable assurance about whether Desire Narcotics Rehabilitation Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item #99-1.

In planning and performing my audit, I considered Desire Narcotics'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 a reportable condition. 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 the Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This reportable condition is 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 reportable conditions that are also considered to be a material weakness. However, the reportable condition described in the schedule of findings as item #99-1 is considered to be a material weakness.

This report is intended for the information of the Legislative Auditor of the State of Louisiana, the Board and management of the Center, federal and state awarding and pass-through agencies. However, this report is a matter of public record and its distribution is not limited.

Eileen S. Andrus

Eileen Shanklin Andrus
CERTIFIED PUBLIC ACCOUNTANT

August 16, 1999

ESA

EILEEN
SHANKLIN
ANDRUS
CERTIFIED PUBLIC
ACCOUNTANT

Member of the
American Institute
of Certified Public
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Louisiana Society
of Certified Public
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2100 3rd St., Ste. 9
KENNER, LA 70062
OFFICE: (504) 468-9007
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1-800-922-1205

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
Desire Narcotics Rehabilitation Center, Inc.
4114 Old Gentilly Road
New Orleans, LA

I have audited the compliance of Desire Narcotics Rehabilitation Center, Inc. (a non-profit organization) with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 1999. Desire Narcotics Rehabilitation Center, Inc.'s major federal program is 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 Desire Narcotic's management. My responsibility is to express an opinion on Desire Narcotics Rehabilitation Center'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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we 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 Desire Narcotics Rehabilitation Center'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 Desire Narcotics Rehabilitation's compliance based on my audit.

As described as item #99-1 in the accompanying schedule of findings and questioned costs, Desire Narcotics Rehabilitation, Inc. did not comply with requirements regarding payroll tax payments in 1997 that is applicable to its major federal program. Compliance with such requirements is necessary, in my opinion, for the Center to comply with the requirements applicable to all programs.

In my opinion, except for the noncompliance described in the preceding paragraph, Desire Narcotics Rehabilitation Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

The management of Desire Narcotics Rehabilitation Center 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 Desire Narcotics Rehabilitation Center'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 Desire Narcotics Rehabilitation Center, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. This reportable condition is 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 the 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 that are also considered to be material weaknesses. However, the reportable condition described in the accompanying schedule of findings as item #99-1 is a material weakness.

This report is intended for the information of the Legislative Auditor of the State of Louisiana, the Board and management of the Center, and federal and state awarding and pass-through agencies. However, this report is a matter of public record and its distribution is not limited.

Eileen S. Andrus

Eileen Shanklin Andrus
CERTIFIED PUBLIC ACCOUNTANT

August 16, 1999

DESIRE NARCOTICS REHABILITATION CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 1999

Section 1 Summary of Auditor's Reports

Financial Statements

Type of auditor's report issued = unqualified

Internal Control over financial reporting:

Material Weakness(es) identified	X	Yes		No
Reportable Condition(s) identified that is not considered to be material weaknesses		Yes	X	none reported

Noncompliance material to financial Statements noted?	X	Yes		No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	X	Yes		No
Reportable condition(s) identified that is not considered to be material weakness(es) ?		Yes	X	none reported

Type of auditor's report issued on compliance for major programs = qualified.

Any audit findings disclosed that Are required to be reported In accordance with section 510 (a) of Circular A-133?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.263	Infinity

Dollar threshold used to distinguish Between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee?		Yes	X	No

DESIRE NARCOTICS REHABILITATION CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 1999

Section II Financial Statement Findings

#99-1 Timely Payment of Payroll Tax Liabilities

Condition: During the course of my testing I noted that when the Center prepared payroll manually in 1997, the payroll was not being called into the payroll processing service for inclusion on the quarterly payroll tax returns. This omission resulted in a lesser amount remitted for payroll taxes than required. These taxes are still owed in 1999.

Cause: This condition is caused by the Center's financial condition.

Effect: This condition has the effect of putting the Center in a position to be assessed additional penalties and interest.

Criteria: Federal law requires that the quarterly tax returns be accurately prepared and the withholding taxes be remitted in a timely manner.

Recommendation: We recommend that the Center pay all payroll taxes in a timely manner.

Section III Financial Award Findings and Questioned Costs

#99-1 Timely Payment of Payroll Tax Liabilities

Condition: During the course of my testing I noted that when the Center prepared payroll manually in 1997, the payroll was not being called into the payroll processing service for inclusion on the quarterly payroll tax returns. This omission resulted in a lesser amount remitted for payroll taxes than required. These taxes are still owed in 1999.

Cause: This condition is caused by the Center's financial condition.

Effect: This condition has the effect of putting the Center in a position to be assessed additional penalties and interest.

Criteria: Federal law requires that the quarterly tax returns be accurately prepared and the withholding taxes be remitted in a timely manner.

Recommendation: We recommend that the Center pay all payroll taxes in a timely manner.

DESIRE NARCOTICS REHABILITATION CENTER, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 1999

Section II and III Financial Statement and Federal Award Findings

#97-1 Payroll Tax Liabilities - Comment Resolved.

DESIRE NARCOTICS REHABILITATION CENTER, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the year ended June 30, 1999

Section II and III Financial Statement and Federal Award Findings

---

#99-1 Management Comments: The management of Desire recognizes this payable and have amended and submitted the quarterly payroll tax returns and W-2's for the previous year's findings. We have discontinued the practice of manual check writing and payroll is being prepared by Paychecks, an automated payroll writing company.

In addition, we have secured additional funding which will help in alleviating the finanicial hardship the agency suffers.