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**FINANCIAL
STATEMENTS**
PERIOD ENDING
5/31/1998

TECH ACTION BOARD, INC.
For the Year Ended May 31, 1998

FINANCIAL STATEMENTS

With

INDEPENDENT AUDITORS' REPORT

and

**INDEPENDENT AUDITORS' REPORTS ON FEDERAL
AWARDS, INTERNAL ACCOUNTING CONTROL, AND COMPLIANCE**

Under provisions of state law, this report is a public document. A copy of this report is being provided to the public. This report is not intended to be used for any purpose other than that for which it was prepared. The report is for public information only. The State Board of Control is responsible for the accuracy and completeness of the information contained in this report. The State Board of Control is not responsible for the accuracy and completeness of the information contained in this report.

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C O N T E N T S

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FINANCIAL INFORMATION SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Teebe Action Board, Inc.
Franklin, Louisiana

We have audited the accompanying balance sheet of Teebe Action Board, Inc., (a nonprofit organization) as of May 31, 1994, and the related statements of operations, and cash flows for the year then ended. These financial statements are the responsibility of Teebe Action Board, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Governmental Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teebe Action Board, Inc., as of May 31, 1994, and the results of its operations, and cash flows for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 1D to the financial statements, during the current year, the Board changed its method of accounting for contributions and its method of financial reporting and financial statement presentation as prescribed by Financial Accounting Standards No. 118, "Accounting for Contributions Received and Contributions Made" and No. 117, "Financial Statements of Not-for-Profit Organizations".

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 1996 on our consideration of Teche Action Board, Inc.'s internal control structure and a report dated August 14, 1996 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, Financial Status Report (FSR), is presented for purposes of additional analysis and is not a required part of the basic financial statements of Teche Action Board, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 14, 1996



CERTIFIED PUBLIC ACCOUNTANTS

TRCSE ACTION BOARD, INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the Year Ended May 31, 1996

Results of operations:

Net patient service revenue		\$ 1,832,522
Other operating revenue		
Federal grant	985,549	
Pharmacy in-kind contributions	148,800	
State grant	<u>80,800</u>	
		1,215,149
Total operating revenue		<u>3,047,671</u>
Operating expenses:		
Personnel services	3,219,394	
Fringe benefits	173,063	
Travel	6,159	
Supplies	403,493	
Patient care contractual	130,935	
Other contractual	78,819	
Bad debts	142,423	
Depreciation	89,213	
General and administrative	<u>112,882</u>	
Total operating expenses		<u>3,385,869</u>
Loss from operations		(338,198)
Non-grant related		
Interest earned	531	
Donations	6,295	
Other expenses	<u>(3,023)</u>	
		<u>3,803</u>
Excess of expenses over revenues		(304,395)
Net assets at May 31, 1995 as restated		1,573,461
Net assets at May 31, 1996		\$ 1,479,066

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

TRUCK ACTION BOARD, INC.

STATEMENT OF CASH FLOWS
For the Year Ended May 31, 1998

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:

Cash received from patients and third party payors	\$ 1,182,248
Cash received from Federal grantors	1,868,818
Cash received from state grantors	50,000
Cash received from donations	8,288
Cash received from interest	551
Cash paid to suppliers	(675,853)
Cash paid to employees and contractors	(2,438,213)
Net cash flows provided by operating activities	<u>135,039</u>

Cash flows from investing activities:

Cash paid for capital acquisitions	(12,941)
Net cash used in investing activities	<u>(12,941)</u>

Cash flows from financing activities:

Cash paid for note payable	(103,979)
Net cash flows from financing activities	<u>(103,979)</u>
Net increase in cash	18,119
Cash at beginning of year	<u>23,823</u>
Cash at end of year	\$ <u>41,942</u>

Reconciliation of net income to net cash provided by operating activities:

Excess of expenses over revenues		\$(184,283)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	60,373	
Change in assets and liabilities		
Decrease in patient accounts receivable	91,864	
Decrease in grant receivable	19,377	
Decrease in third party payor receivable	90,109	
Increase in other receivables	(28,789)	
Decrease in inventory	11,838	
Increase in prepaid expenses	(283)	
Decrease in accounts payable	(2,395)	
Decrease in accrued expenses	(18,679)	
Increase in third party settlement payable	9,361	
Decrease in retainage payable	(12,335)	
Decrease in contracts payable	(5,120)	
Total adjustments		240,733
Net cash provided by operating activities		\$ 135,832

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

TRUST ACTION BOARD, INC.

Notes to the Financial Statements
May 31, 1998

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the Board's accounting policies applied in the preparation of the accompanying financial statements follows:

A. Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors - Medicare and Medicaid. Retroactive adjustments are accrued as an estimated liability in the period the related services are rendered and adjusted in future periods as final settlements are determined.

B. Sliding fee scale adjustments

The Board has a policy of providing services to patients based on the patient's economic circumstances on the date of service. Such patients are identified based on financial information obtained from the patient. Adjustments are made whereby charges to these patients are reduced or eliminated. These adjustments are known as sliding fee scale adjustments. Since the Board does not expect payment from these patients, estimated charges for these services are not included in net patient service revenue.

C. Third party settlements - Medicare/Medicaid

Under Medicare and Medicaid, the Board is reimbursed for services provided to those patients who qualify. Interim payments made from these contractual agreements are usually less than established charges and the cost of the service provided. Final settlement through Medicare and Medicaid is determined upon submission of an annual cost report and audits conducted by Medicare and Medicaid. Net patient service revenue is adjusted as required in subsequent periods based on final settlement.

D. Change in Accounting Principle and Financial Statement Presentation

During 1990, the Board adopted the method specified in Financial Accounting Standards Board (FASB) Statement No. 116, "Accounting for Contributions Received and Contributions Made". In general, contributed goods that meet the proper criteria are recorded as items of support or revenue with a like amount recorded as expense upon receipt at fair market value. See Note 8 for further information on the Board's contributions. The Board also adopted FASB Statement No. 117, "Financial Statements of Not-for-profit Organizations."

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the provisions of Statement No. 117, Not-For-profit entities are required to report information regarding its financial position and operations according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In accordance with the provisions of the statements, the Board has elected to report all contributions and grants with donor stipulations that are satisfied in the current year as unrestricted contributions. Therefore all the Board's net assets are reported as unrestricted. To adjust for the effects of this statement, the Board restated its combined equity of \$1,876,481 at May 31, 1998 (Retained Earnings of \$258,800 and Contributed Capital of \$1,349,858) to Unrestricted Net Assets.

F. Inventories

Inventory is valued at the lower of cost (first-in, first-out method) or market.

F. Property and equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

G. Income Taxes

The Board is exempt from income taxes as a not-for-profit organization under code 501 (c)(3); therefore, no provision is made for income taxes.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all cash, invested cash, and all short term highly liquid investments with original maturities of less than 90 days to be cash and/or cash equivalents.

NOTE 2 - NATURE AND SCOPE OF OPERATION

Techs Action Board is a not-for-profit corporation, organized in 1974, whose purpose is to provide comprehensive health care to area residents, in particular, care for the socio-economically disadvantaged. The clinic's area of service is St. Mary Parish. Techs Action Board's scope of primary health care services include pediatrics, internal medicine and preventive health care, including family dental care and limited mental health services. The Board also offers complete auxiliary services including pharmacy. One specialty service, pediatry is available twice weekly.

NOTE 3 - INVENTORY

Inventory consists of the following at May 31, 1996:

Medical supplies	\$ 8,422
Pharmacy	10,817
Office supplies	9,941
Dental supplies	4,422
	<u>\$33,602</u>

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and their costs and estimated useful lives at May 31, 1996:

Category	Cost	Estimated Useful Life
Office furniture and equipment	\$155,508	5-10 years
Medical and other equipment	89,383	3-10 years
Dental equipment	82,681	5 years
Vehicles	19,718	5 years
Building and building improvements	1,316,056	5-35 years
	1,393,292	
Less: accumulated depreciation	(4,815,922)	
	<u>\$1,387,328</u>	

NOTE 5 - COMPENSATED ABSENCES

Employees earn annual leave based upon length of service and hours worked. At May 31, 1996, approximately \$36,500 has been accrued in connection with these compensated absences.

NOTE 6 - THIRD PARTY SETTLEMENTS - MEDICARE/MEDICAID

As noted above, Medicaid and Medicare reimbursements are generally less than charges normally established for those services. A Federally qualified Health Center (FQHC) may recover some of these costs incurred providing Medicare and Medicaid services through submission of annual cost reports. During the year under audit, Techs Action Board applied for reimbursements for the period June 1, 1995 through May 31, 1996. In addition, certain Medicaid and Medicare cost reports for prior years have been filed and are still open for review by third party funding agencies. Some reimbursements are still due from these funding agencies. The total of all reimbursements due at May 31, 1996 is approximately \$139,889.

Both the Medicaid and Medicare reimbursement amounts for 1996 are included in net patient service revenues. The Medicare reimbursement receivable for 1996, is approximately \$6,000. For 1994, the Board received excess reimbursements during the year under the Medicaid program and owes approximately \$3,000 to Medicaid.

NOTE 7 - NET PATIENT SERVICE REVENUE

The following is a summary of patient revenue and its associated adjustments at May 31, 1966.

Gross patient service revenue		\$ 1,830,884
Less: Billing for scale adjustments	\$1 553,372)	
Contractual adjustments	(285,225)	
Total adjustments		(838,647)
Net patient service revenue		\$ 992,237

NOTE 8 - UTILIZATION OF CONTRIBUTIONS

During the year, the Board received in-kind contributions from one of its pharmaceutical companies in the form of drug medications to be distributed to certain patients of the clinic. The contributions totaled approximately \$100,000 during the year and are accounted for as contribution revenue and supplies expense in the financial statements.

NOTE 9 - CLASSIFICATION OF EXPENSES

The following schedule summarizes the operating expenses by major service area for the year ended May 31, 1966:

Operating Expense:	General and Administrative	Medical	Dental
Personnel services	\$561,987	\$636,483	\$194,759
Fringe	80,405	43,880	13,461
Travel	6,151		
Supplies	30,483	41,582	43,372
Patient care	11,259	40,818	1,576
Other	34,999	510	510
Bad debts	143,623		
Depreciation	33,100	28,352	37,421
General & administrative	112,802		
Total operating expenses	\$837,102	\$780,363	\$317,561

Operating Expense:	Pharmacy	Support Services	Total
Personnel services	\$149,846	\$152,009	\$301,855
Fringe	13,134	13,207	26,341
Travel			8,351
Supplies	258,440	28,804	287,244
Patient care	(2,835)	64,335	61,500
Other			78,839
Bad debts			142,823
Depreciation			83,273
General & administrative			112,802
Total operating expenses	\$418,581	\$268,155	\$686,736

NOTE 10 - RELATED PARTY

The St. Mary Parish Council, the governing body for the parish in which the Clinic is located, owns the parcels of land on which the Clinic is located. The Parish Council has agreed to allow the Clinic to utilize the property at no charge as long as medical and dental services are provided.

NOTE 11 - COMMITMENTS

Subsequent to the Board's year end, a contract was signed with an outside Billing agency to perform Billing for the Board's Medicaid and Medicare services. The fee for this service is based on 8% of the actual fees collected.

NOTE 12 - CONTINGENCIES

The Board received funds under one Federally assisted program in addition to Medicare and Medicaid. This program is audited in accordance with the Single Audit Act of 1982. Audits of prior years have not resulted in any material disallowed costs for the program; however, grantor agencies may provide for further examinations. Based on prior experience, the Board's management believes that further examinations would not result in any material disallowed costs.

NOTE 13 - CONCENTRATIONS

Forty-four percent of the Board's funding is obtained from a Federal grant from the Department of Health and Human Services, under the Community Health Centers Program.

SUPPLEMENTARY INFORMATION

FEDERAL RESERVE, INTERNAL ACCOUNTING CONTROL,
AND COMPLIANCE SECTION



INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
FEDERAL AWARDS

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of the Teche Action Board, Inc., (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated August 14, 1996. These financial statements are the responsibility of the Teche Action Board, Inc.'s management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, ~~Government Auditing Standards~~, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Teche Action Board, Inc., taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

August 14, 1996

TECHNICAL ACTION BOARD, INC.

Schedule of Federal Awards
For the Year Ended May 31, 1996

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>			
Public Health Service-I Community Health Centers (Section 330)	93.224	\$223,342	\$223,342
Total Federal financial assistance		\$223,342	\$223,342
* denotes major program			



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of the Teche Action Board, Inc., (a nonprofit organization) as of and for the year ended May 31, 1976, and have issued our report thereon dated August 14, 1976.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Teche Action Board, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Teche Action Board, Inc., for the year ended May 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described in the material weakness section is a material weakness. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Teche Action Board, Inc., for the year ended May 31, 1996. This matter is described in the material weakness section of this report.

A similar letter issued by us dated January 26, 1996, for the period ended May 31, 1995 reported one material weakness in internal accounting control which was corrected in the current year.

This report is intended for the information of the Finance Committee, Management, all funding agencies, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

August 14, 1996

MATERIALS AND METHODS

Patient Fees - Pharmacy

Background:

When a patient has a prescription to be filled by the Foster Action Board's pharmacy department a prenumbered document (a pharmacy encounter form) is generated within the pharmacy department.

Once the prescription is filled, a copy of the encounter form is attached to the filled prescription. A filled prescription will be either picked up and paid, not paid for because the patient is eligible for donated drugs, or returned to stock for failure to pick up the prescription.

If money is collected within the pharmacy department, it is deposited into a cash register within the department.

At the end of each day a tape is run evidencing how much money was put into the register and remitted to the accounting department for deposit and recording into the accounting records.

Auditors' Comments

Condition: We noted the following internal control pharmacy deficiencies:

1. Reconciliation of amounts actually collected to amounts which should have been collected, based upon patients paying for prescriptions, could not be accomplished. This was due to lack of documentation of actual fees collected by individual patients compared to the cash register collections.
2. Access to the cash register is not properly physically safeguarded in the pharmacy department. In fact, all three employees in the department have access to the register.
3. The numerical sequence of the pharmacy encounter forms generated by the pharmacy department could not be verified.

Criteria: The objectives of an internal control structure are to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that sufficient documentation exists for amounts recorded in the financial statements.

Effect: Failure to maintain controls over pharmacy receipts can result in the under or over statement of revenues by the pharmacy department.

Cause: Lack of a system to provide underlying documentation for the amounts collected in pharmacy.

Management's Comments:

management has recognized that there are weaknesses in the internal control structure of the Pharmacy. These weaknesses were primarily due to the fact that our Pharmacy Department was not utilizing the Med-Care Patient Billing System. The Pharmacy department utilizes the Streeby Pharmacy System which is not a patient billing module. This streeby Pharmacy System assist the Pharmacist in patient drug counseling and flagging adverse drug reactions. The current Med-Care system cannot accomplish these necessary functions.

As of November 1, 1996, the Pharmacy department began entering (individual) charges and payments into the Med-Care System. These charges and payments can be traced back to a Pharmacy Encounter Form and the individual patient's chart. At the end of each day, the Pharmacy Clerk (Pharmacist in Pharmacy Clerk's absence) closes the funds in the register, make a deposit slip, prints a charge and receipt listing and reconciles the med-care report to the individual encounter forms. The Clerk or Pharmacist are unable to delete any charges or payments from the Med-Care system. All encounter forms are prenumbered and accounted for.

The cash register within the Pharmacy functions as a locked drawer. The Clerk and Pharmacist are instructed to lock the register whenever they leave the Pharmacy. One weakness is that all three employees have access to the register. Because of lunch breaks and other duties, it is highly unlikely that only one employee can work the register.

With respect to the numbering of the encounter forms, Pharmacy utilizes prenumbered encounter forms. No encounter forms are destroyed. All voided encounter forms are indicated as a void. We have documented the beginning encounter number and will again document the ending encounter number. These encounter forms are not Med-Care related. Thus, they do not flow through the Med-Care computer system. The major weakness is having to manually bridge the two separate systems. Techs Action Clinic will continue to experience some Internal Control difficulties because of the separate computer systems. We are currently seeking funding to purchase a new software system that integrates all of the separate components (General Ledger, Patient Billing, Accounts Payable, Payroll, Inventory, Pharmacy, etc.)



a corporation of
certified public accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL AWARDS

Board of Directors
Techa Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of Techa Action Board, Inc., a nonprofit organization, as of and for the year ended May 31, 1986, and have issued our report thereon dated August 14, 1986. We have also audited Techa Action Board's compliance with requirements applicable to major Federal programs and have issued our report thereon dated August 14, 1986.

We conducted our 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 (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Techa Action Board, Inc., complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audits of Techa Action Board, Inc., for the year ended May 31, 1986, we considered the Board's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on Techa Action Board's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal awards programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 14, 1986.

The management of Techs Action Board, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that Federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering Federal programs in the following categories:

FEDERAL AWARD ADMINISTRATIVE CONTROLS

General Requirements

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort, or earmarking requirements
- Reporting claims for advances and reimbursements; and amounts claimed or used for matching
- Required financial statements are reported in accordance with Generally Accepted Accounting Principles
- Requirement that payments are being made in accordance with the bidding fee scale
- Requirement for proper use of excess program income
- Requirement for award reporting (table 6); reconciled to underlying accounting records
- Requirement that the grantee be tax-exempt
- Requirement for use of non-grant funds prior to the use of grant funds

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended May 31, 1996, Techs Action Board, Inc., expended 100% of its total federal awards under a major federal award program.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Board's major federal award program, which is identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

A similar letter issued by us dated January 26, 1996 for the year ended May 31, 1995, reported one reportable condition. This condition was corrected during the year ended May 31, 1996.

This report is intended for the information of the finance committee, management, funding agencies, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.


CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of Teche Action Board, Inc., (a nonprofit organization) as of and for the year ended May 31, 1998, and have issued our report thereon dated August 14, 1998.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and provisions of Office of Management and Budget Circular A-133 "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Teche Action Board, Inc., is the responsibility of Teche Action Board, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Teche Action Board, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that is required to be reported herein under Government Auditing Standards. This instance of noncompliance is explained in the item of noncompliance section of this report.

We considered this instance of noncompliance in forming our opinion on whether Teche Action Board, Inc.'s 1998 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated August 14, 1998, on these financial statements.

A similar report issued by us dated January 20, 1994, for the year ended May 31, 1993, reported no instances of noncompliance.

This report is intended for the information of the finance committee, management, all funding agencies, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

August 14, 1994

ITEM OF NONCOMPLIANCE

AUDIT COMPLETION DEADLINE

Auditor's Comments

Condition: Completion of annual audit has exceeded the deadline.

Criteria: State law requires that audits be completed within six months of the close of the entity's fiscal year.

Effect: Noncompliance with state laws.

Cause: The board participated in the Medicare and Medicaid health care reimbursement programs and, as such, is required to file annual cost reports to determine year-end settlement amounts to be accrued for audit purposes. During the year, the Board made a change in the way the Medicare claims were being filed, which affected the Medicare cost report. Additional time was required by the Board's staff and the consultant to complete the Medicare cost report in order to obtain an accurate settlement amount to be included in the current audited financial statements.

Management's Comments:

Techs Action Clinic's management recognizes the need to have the audit completed in a timely manner. There were several occurrences which led to the lateness of this year's audit report. As mentioned, Techs Action Clinic began filing PPAR claims to Astra Medicare. A delay occurred in having to manually create logs which contained information that was not available for FISC purposes. Techs Action's current staff per the current preparer of the cost reports were familiar enough with the FISC requirements.

The audit report was also delayed due to a question in Techs Action Clinic's Pharmacy internal control procedures. These procedures were in place for several years. However, we have since changed Pharmacy procedures which will strengthen controls within the Pharmacy.

Techs Action Clinic's management controls that with a more adequate computer system, we would not experience these delays. We are currently in the process of identifying the necessary funding to purchase the such needed fully integrated system.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

Board of Directors
Techa Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of Techa Action Board, Inc., (a nonprofit organization) as of and for the year ended May 31, 1980, and have issued our report thereon dated August 14, 1980.

We have also audited Techa Action Board, Inc.'s, compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; cost/for cost; reporting; claims for advances and reimbursements; amounts claimed or used for matching; the requirement for insuring that audited financial statements are in accordance with Generally Accepted Accounting Principles; requirement that payments are being made in accordance with the sliding fee scale; the requirement for proper use of excess program income; requirement for BCRS reporting; the requirement that the grantee be tax-exempt; and the requirement that non-grant funds be used prior to the use of grant funds, that are applicable to its major federal award program, which is identified in the accompanying schedule of Federal Awards, for the year ended May 31, 1980. The management of Techa Action Board, Inc., is responsible for the Board's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements 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 (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Techs Action Board, Inc. complied, in all material respects, with specific requirements referred to in the second paragraph that are applicable to its major Federal award program for the year ended May 31, 1986.

This report is intended for the information of the finance committee, management, all funding agencies, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANT

August 14, 1986



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAMS

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of Teche Action Board, Inc., (a nonprofit organization) as of and for the year ended May 31, 1986, and have issued our report thereon dated August 18, 1986.

We have applied procedures to test Teche Action Board's compliance with the following requirements applicable to its federal awards programs, which are identified in the accompanying schedule of Federal Awards, for the year ended May 31, 1986: political activity; civil rights; cash management; Federal Financial reports; allowable cost/cost principles; Drug-Free Workplace Act, and administrative requirements. Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Teche Action Board's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Teche Action Board, Inc. had not complied, in all material respects, with those requirements.

A similar report issued by us dated January 25, 1986, for the year ended May 31, 1985, reported an immaterial instance of noncompliance which was corrected during the current year.

This report is intended for the information of the finance committee, management, all funding agencies, and the legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

August 14, 1986