

**Jim H. Stevens, Jr. & Company, L.L.P.**

Certified Public Accountants

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Jim H. Stevens, Jr., CPA  
Bill W. Smith, CPA  
 Dwight L. Pugh, CPA

Mr. Eugene Sams, President and  
Board of Directors  
ARC of North Webster  
P.O. Box 114  
Sarepta, LA 71689

We have applied certain agreed-upon procedures, as discussed below, to accounting records of the ARC of North Webster, as described in our engagement letter dated May 15, 1997. It is understood that this report is solely for the information of management, the Louisiana Legislative Auditor and the Department of Health and Hospitals. We performed procedures between the dates of July 1, 1997, and August 15, 1997, to determine the extent of management's impairment of internal control systems in response to findings and recommendations in our report dated December 15, 1996. Our procedures, findings and recommendations are as follows:

**Procedures:** We performed counts of cash located in the administrative office, the service station and the lockerup and made inquiry about procedures for securing and depositing cash funds.

**Findings:** There is money maintained in the administrative office for making change for the clients' and employees' use in the vending machines. This money is taken from the cold drink machines without being counted. The small change is deposited in the bank and the quarters are used for change for the clients and employees. As currency is received for the change, the currency is then deposited to the bank. Deposits are usually made once a week to the bank. This money is maintained in the director's desk at night. We did not count this change fund; however, the director counted it on July 1, 1997, and found \$119.00 in undeposited cash in the fund.

There is a petty cash fund in the amount of \$288.89 located in the administrative office. This money is locked in a file cabinet at night.

Funds collected for client meals at the center is also maintained in the administrative office. At July 1, there was \$115.15 on hand.

The \$100.00 opening cash in the cash register at the station was short \$.78 at July 1, 1997. These funds are held in an untested cash register at night.

At July 1, the lockerup had on hand \$350.00 in funds money collected, \$29.79 in money for the sale of merchandise which had been donated to the Center for that purpose, and \$267.71 in undeposited receipts from the sale of bakery items. Some of the cash items included in the receipts were checks as old as June 5 and 6, 1997.

**Recommendations:** We recommend that the money from the cold-drink machines be deposited intact when the machine is emptied and that an imprest fund be established for making change. The fund is located a few yards from the center, so this should not create a problem. This would give opportunity to monitor the profitability of the cold drink machines.

We recommend that all funds, whether at the administrative office, station or lockerup be locked in a secure place at night and that a record be maintained of who has keys.

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Recommendations:	There was a total of \$946.01 in cash at the three locations, none of which had been allowed to accumulate over a period of several days/weeks. Deposits of cash on hand should be made on a daily basis. In the absence of this procedure, we recommend that normal and maximum cash levels be established by the Board of Directors and deposits be made at least weekly, or when the amount in the funds exceed the amounts established by the Board, whichever comes first.
Procedures:	We examined the accounts receivable control ledger and individual subsidiary ledgers as of June 30, 1997.
Findings:	The control ledger had not been reconciled as of June 30, 1997 and in fact, the monthly control log had not been posted for the previous two months. The control ledger was subsequently reconciled and posting and/or addition errors were corrected on five (5) individual account ledgers with changes totaling \$189.38. These corrections were made using liquid paper instead of lining through the lines, which destroyed the audit trail. When we revisited the Center on August 19, 1997, the control ledger had not been posted and reconciled for the month ended July 31, 1997, however, it was noted that the director had been on vacation and that there was no evidence that collection efforts were being started on the delinquent accounts. Original invoices had been pulled on several accounts and we were asked about collection procedures on these accounts, which we referred the Director to the ABE's attorney on this legal matter.
Recommendations:	We continue to recommend that the subsidiary ledger which has been established be reconciled immediately after month-end in the control ledger. In addition, we recommend that the general ledger be brought in-house and the control ledger be maintained on the general ledger and reconciled monthly.
Procedures:	We confirmed selected accounts receivable - station, and performed alternative procedures on other accounts.
Findings:	We mailed 48 positive confirmation requests totaling \$2,668.88, of which 11 remained une returned. After three weeks, we mailed second requests on the accounts that had not replied. Two accounts totaling \$152.15 were not mailed however good addresses could not be obtained. We received 39 replies with correct balances, totaling \$1,488.28. Two accounts were returned with exceptions, which were orally reviewed with management for follow-up. One account totaling \$11.00 was returned twice with bad addresses. We did not receive replies to thirteen (13) of our confirmations totaling \$1,968.50. Seven of these accounts totaling \$713.80 are probably bad debts and the other six totaling \$1,247.10 had payments since June 30.
Recommendations:	We recommend that monthly statements be mailed on all accounts and management establish collection procedures for any account without payment for more than 30 days.
Procedures:	We reviewed the cash reconciliation procedures used to reconcile cash from the station on a daily basis.
Findings:	The reconciliation procedures appear adequate.
Recommendations:	Keep procedures for reconciliation of daily cash as they are. Expand procedures to encompass the bookstore.
Procedures:	We reviewed procedures for collection and recording of station receivables in the administrative office.

**Findings:** Three-part pre-numbered receipts are used with one receipt being given to the end user and the other filed with the bank deposit slip.

**Recommendations:** Obtain three-part pre-numbered receipts. Follow the above procedures, except the third copy should remain in the receipt book as a permanent audit trail.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards or Government Auditing Standards, issued by the Comptroller General of the United States, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, we did find that \$493.81 in bank debits should be recorded as June 30, 2007. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, additional matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of the ABC of North Windsor taken as a whole.

*Jim H. Stearns, Jr., CPA, CFP®*  
Certified Public Accountant

August 19, 2007

Under provisions of state law, this report is a public document. A copy of this report has been distributed to the auditor, or authorized, entity and other agencies to the public office. This report is available for public inspection at the State Board office or the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

SEP 03 2007

Reference Date.....