

THE METHODIST HOME FOR CHILDREN
SCHEDULE OF PRIOR REPORTABLE CONDITIONS
For the Year Ended June 30, 1996

The prior audit report dated October 20, 1995, contained reportable conditions. The following is a status of those findings:

Prior Year Reportable Condition - Travel and Entertainment Expenditures Documentation

Travel, meals and entertainment expenses noted during touring were not always properly documented for the business reason or purpose for why the expense took place.

Current Status

There was some improvement but as previously mentioned this situation still needs some work.

Prior Year Reportable Condition - Accounts Receivable

This is a repeat finding from 12-31-94 audit report. Some improvement has occurred but it is obvious the organization is not aging its accounts receivable. The 12-31-94 audit 69% of accounts receivable were current. For this audit 72% is current. For the 12-31-96 audit 17% of accounts receivable were over 90 days old. For this audit it is 24%. While this shows some improvement, it also reveals the organization is not using its accounts receivable system to its fullest in helping it understand and manage its revenue collection and its corresponding cash flow. Accounts receivable should be closely monitored and researched for problems. Billing and collection are the key financial aspect of your organization and needs to be given full attention by management.

Current Status

As previously mentioned under current year reportable conditions, this situation has not improved and needs to be given immediate attention.

THE METHODIST HOME FOR CHILDREN

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The Board of Directors
The Methodist Home for Children
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of the Methodist Home for Children (a nonprofit organization) as of June 30, 1996 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. These 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 the Methodist Home for Children, as of June 30, 1996 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 October 8, 1996, on my separate audit of the Methodist Home for Children's internal control structure and a report dated October 8, 1996 on its compliance with laws and regulations.



Richard P. Reiser, Jr.
Certified Public Accountant

October 8, 1996

Richard P. Reiser

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

I have audited the financial statements of the Methodist Home for Children as of and for the year ended June 30, 1996, and have issued my report thereon dated October 8, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. These standards required that I 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 the Methodist Home for Children is the responsibility of the Methodist Home for Children's management. As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Methodist Home for Children's compliance with certain provisions of laws, regulations, contracts and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management, and the State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Richard P. Reiser, PA
Certified Public Accountant

October 8, 1996

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New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

I have audited the financial statements of the Methodist Home for Children as of and for the year ended June 30, 1995 and have issued my report thereon dated October 8, 1995.

I conducted my audit in accordance with generally accepted auditing standards and *Circumstances Affecting Standards*, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Methodist Home for Children 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 my audit of the financial statements of the Methodist Home for Children for the year ended June 30, 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, 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.

The reportable conditions noted are as follows:

Monthly payments on a promissory note do not agree with the amortization schedule. There is a conflict on the pay back terms of the note.

Various liability accounts are not being reviewed and reconciled each month.

Even though two signatures are required on checks, series of checks were observed pre signed and at times left out in the open.

Some travel, entertainment and various expenses noted during testing were not properly documented.

The accounts receivable subsidiary ledger is not being reconciled to the general ledger each month and hasn't been in years. Accounts receivable is not being properly monitored, reviewed or results communicated to management each month.

Fixed asset schedules are not being maintained during the year and no depreciation expense is being recorded each month.

A material weakness is a reportable condition in which the design or operation of the specific 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.

My 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, I believe none of the reportable conditions disclosed in the accompanying schedule of reportable conditions are material weaknesses.

In connection with the audit, I reviewed the prior year's reportable conditions on the internal control structure, including applicable internal administrative controls to determine whether management had implemented appropriate corrective actions to correct the conditions giving rise to these findings. The results of my review indicate that management has not taken appropriate corrective action with respect to the prior year findings as described in the Schedule of Prior Reportable Conditions.

This report is intended for the information of the board of directors, management and the State of Louisiana Legislative Auditor. This variation is not intended to limit the distribution of this report, which is a matter of public record.


Richard P. Friess, Jr.
Certified Public Accountant

October 8, 1996

THE METHODIST HOME FOR CHILDREN
SCHEDULE OF REPORTABLE CONDITIONS
For the Year Ended June 30, 1996

Finding/Recommendation

NEED FOR INCREASED EFFICIENCY FOR MORE COMPUTERS

TFC and MHC could use another computer since eight people are sharing one computer. A new computer would help at peak rush times such as with quarterly staffing reports and would help make those offices much more efficient throughout the year.

The nurse station could also use a computer. This would allow immediate updates and changes in the child's medications. It would also allow for a history of prescriptions for the doctors to facilitate their decisions, and also give hospitals the most current medical information when hospital visits are required.

It would also be a good idea to get your staff appropriate computer training.

Finding/Recommendation

COLLECTING PROMISSORY NOTE INFORMATION

The promissory note with the United Methodist Foundation of Louisiana needs to be cleared up as to the term of the note. The promissory note is for a term of five years. The accompanying loan amortization schedule is for ten years. Your current payments are not following the amortization schedule which dictates how much of the payment is interest and how much is principal. This conflict could cause a miscommunication with your lender as well as an impact on your monthly cash flow if you're not making the correct payments. I recommend you contact your lender as soon as possible and resolve the term of the note and the correct amortization schedule.

Finding/Recommendation

LIABILITY ACCOUNTS ARE NOT BEING RECONCILED

Various liability accounts such as pension payable, state withholding payable, FICA and federal withholding payable, wage garnishment payable, credit union payable, supplemental insurance payable and supplemental bill payable are not being reconciled each month with your general ledger. This shows a lack of thoroughness in analyzing and reporting your financial information each month. Obviously, these items should be reconciled each month as a matter of normal practice and will result in a more complete and accurate financial picture.

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The Methodist Home For Children
Report on Audit of Financial Statements

June 30, 1956

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the State Receptacle of the Legislative Auditor General, where appropriate, at the office of the parish clerk of court.

Release Date: NOV 27 1956

THE METHODIST HOME FOR CHILDREN
SCHEDULE OF REPORTABLE CONDITIONS
For the Year Ended June 30, 1996

To assist you in improving this situation, I once again recommend splitting the billing of receivables and posting of collections within your accounting department. Also an aging report needs to be run as a hard copy on the last day of each month since your purge reports will erase receivables from the system. Also any bad debt write offs should be approved by management. The general ledger, accounts receivable clearing and accounts receivable subsidiary ledger should be reconciled each month. Lastly, more diligent efforts should be made to collect our current receivables. Receivable review with management should become a monthly procedure so that bill communication exists before any problems arise.

Findings/Recommendation

ACCOUNTING:

Based on the recent growth and expansion of your business operations it is apparent that you should consider adding a position or restructure your business office day to day operations with emphasis on stronger accounting experience to produce financial analysis, capital expenditure budgeting and audit flow management and projections. Information and proper analysis of that information is crucial for proper decision making.

THE METHODIST HOME FOR CHILDREN
 STATEMENT OF FINANCIAL POSITION
 June 30, 1956

Assets	
Current Assets	
Cash & cash equivalents	\$ 500,000
Investments	800,864
Accounts receivable	286,991
Prepaid insurance	<u>25,889</u>
Total Current Assets	1,512,744
Non-Current Assets	
Land, buildings and equipment (net)	<u>854,586</u>
Total assets	<u>\$ 2,367,330</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 74,710
Accruals	48,122
Current portion of long-term debt	<u>4,378</u>
Total Current Liabilities	127,210
Long Term Debt, Net of Current Portion	<u>51,719</u>
Total Liabilities	<u>178,929</u>
Net Assets	
Unrestricted	1,987,315
Temporarily restricted	0
Permanently restricted	<u>0</u>
Total net assets	<u>1,987,315</u>
Total liabilities and net assets	<u>\$ 2,167,250</u>

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

THE METHODIST HOME FOR CHILDREN

STATEMENT OF ACTIVITIES
Year ended June 30, 1986

Unrestricted Net Assets

Revenue and other support	
Donations and gifts	\$ 227,574
Interest income	57,781
Other income	15,123
Fees from governmental agencies	
Private Agency Foster Care	244,732
Moderate intervention program	832,693
Therapeutic foster care program	943,311
Severe intervention program	<u>153,896</u>
Total Unrestricted Revenue and Support	<u>2,825,188</u>
Expenses	
Program services	
Private Agency Foster Care	204,782
Moderate intervention	767,278
Therapeutic foster care	738,763
Severe intervention	482,118
Supporting Services - management and general	<u>405,000</u>
	<u>2,718,043</u>
Increase in unrestricted net assets	<u>107,076</u>
Increase in temporarily restricted net assets	0
Increase in permanently restricted net assets	<u>0</u>
Increase in net assets	<u>107,076</u>
Net assets at beginning of year	<u>1,827,240</u>
Net assets at end of year	<u>\$1,934,316</u>

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

THE METHODIST HOME FOR CHILDREN

STATEMENT OF CASH FLOWS

Year Ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 180,878
Adjustments to reconcile to net cash provided by operations:	
Depreciation	67,115
(Increase) Decrease in:	
Accounts receivable	29,808
Prepaid insurance	(943)
Increase (Decrease) in accounts payable and accrued expenses	20,432
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>281,858</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	1,748
Purchase of property and equipment	(321,257)
NET CASH USED IN INVESTING ACTIVITIES	<u>(319,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term borrowing	55,094
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>55,094</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>28,344</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>241,351</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 269,695</u>

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

THE METHODIST HOME FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 1986

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Methodist Home for Children (Home) is a not-for-profit residential treatment facility located in New Orleans, providing care for abused, neglected and/or abandoned children. It is operated as an agency of the Louisiana Conference of the United Methodist Church.

The Home administers programs receiving substantial support from the State of Louisiana Office of Community Services. The residential program administers to children with moderate and serious emotional and/or behavioral problems. The therapeutic and private agency foster care programs place children in a family environment while providing counseling and support for the families.

The accompanying financial statements include only the accounts of the Methodist Home for Children; no other assets owned by or activities operated by the Louisiana Conference of the United Methodist Church have been included herein.

Accounts Receivable

The Home considers accounts receivable to be virtually fully collectible since the balance remains entirely of payments due under a state government contract. If accounts become uncollectible, they will be charged to operating area where their distribution is made.

Income Taxes

No provision for income taxes has been made, since the company is exempt as a nonprofit organization under § 501(c)(3) of the Internal Revenue Code.

Contributed Services

During the year ended June 30, 1986, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 113, *Financial Statement of Not-For-Profit Organizations*, the Depreciation is required to report information regarding its financial position and activities according to their classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unlike those provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Home and changes therein are classified and reported as follows:

THE METHODIST HOME FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 1996
(Continued)

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the donor and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Classification

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

THE METHODIST HOME FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 1998
(Continued)

NOTE B - INVESTMENTS

Investments are carried at the lower of cost or market value. Losses are recognized when the market value of the investment is less than the carrying amount. Recoveries of market value in subsequent periods are recognized in those periods subject to the limitation that the carrying amount of the investment does not exceed the original cost.

Investments at June 30, 1998 consist of U.S. Government and agency obligations, corporate obligations, equities, mutual funds and cash equivalents. These investments are presented in the financial statements in the aggregate at the lower of cost or fair market value. The following summarizes the relationship between the carrying value and the market value of this investment.

Original cost	\$820,864
Market value	\$1,051,874
Carrying value	\$820,864

NOTE C - COMMITMENTS AND CONTINGENCIES

The Home receives a substantial amount of its support from the state government. A significant reduction in the level of this support, if this were to occur, would have a material effect on the Home's programs and activities.

The Home is required to submit cost reports to the state agency which substantiates the support received and then reimburses the Home for costs incurred for providing care for the children.

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, significant renewals and betterment are capitalized. The following is a summary of the major classes of property and equipment, and the related depreciation.

THE METHODIST HOME FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 1996
(Continued)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$104,358	\$ -	\$104,358
Buildings & Improvements	1,159,333	777,217	421,638
Equipment	109,984	51,957	58,027
Furniture and Fixtures	118,793	89,283	28,915
Vehicles	118,081	77,872	40,209
Totals	<u>\$1,642,006</u>	<u>\$1,007,129</u>	<u>\$634,906</u>

NOTE B - RELATED PARTY

The Methodist Home for Children is operated as an agency of the Louisiana Annual Conference. During the year the Methodist Home paid \$351 for an ad on the back page of the Louisiana Conference's newspaper.

NOTE C - PENSION PLAN

The Methodist Home for Children has a 401(k)(9) type pension plan for all eligible employees. Employees are eligible to participate in the plan if they are at least 21 years of age, if they have been employed by the Methodist Home for one year and work at least 20 hours per week. Employees are required to contribute at least 2% (up to a maximum of 20%) of their gross semi-monthly salary into the plan, not to exceed \$950.00. The employer agrees to contribute 4% of each participating employee's contribution base. Employer contributions for the plan during the year were \$13,763.

NOTE G - CHARITABLE TRUST

On December 18, 1998 a charitable trust was set up by an individual designating the director of the United Methodist Foundation of Louisiana as trustee. The donor suggested that one-half of the trust's annual income and all assets principal be annually distributed to the Methodist Children's Home in New Orleans, Louisiana on an unrestricted basis. The term of the trust is for 30 years. In the event the Methodist Children's Home in New Orleans, Louisiana ceases to function or ceases to be a qualified tax exempt charity before the 30 years has run, the donor suggest the funds be distributed to another children's home. As June 30, 1996 the market value of the trust was \$238,002. The Methodist Home for Children is presently receiving interest from this trust. The interest received during the year was \$1,645.

THE METHODIST HOME FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 1994

(Continued)

NOTE H - LONG TERM DEBT

Note payable to the United Methodist Foundation of Louisiana, payable in monthly installments of \$795.82 including interest at 6.75%, final payment due November, 2005 secured by investments.

Current Portion	\$ 4,313
Long-term Debt	51,713
	<u>\$56,026</u>

Maturities of long-term debt over the next 5 years are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
1995	\$ 4,313
1996	4,733
1997	5,208
1998	5,682
1999	6,200
	<u>\$26,236</u>

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

My audit report on the basic financial statements of The Methodist Home for Children for the year ended June 30, 1996 appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on page 18 related to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 1996 taken as a whole.



Richard P. Keiser, Jr.
Certified Public Accountant

October 8, 1996

THE METROSTREET HOME FOR CHILDREN
SCHEDULE OF FUNCTIONAL EXPENSES
 Year Ended June 30, 1999

	Program Services			Supporting Services	Total
	Health Agency Direct Care	Respite Services	Year specific Direct Care		
Salaries	\$ 47,952	4,526,254	\$ 1,955,279	\$ 378,917	\$ 1,984,460
Payroll taxes	3,334	42,899	7,808	28,239	54,880
Employee benefits	192	11,492	2,232	8,828	13,724
Total salaries and benefits	51,445	4,640,845	1,965,499	340,284	1,798,073
Family care expenses	555,647	0	995,808	0	1,551,455
Child support and expense	1,390	0	2,863	6,206	26,051
Supplies (food, clothing, recreation, etc.)	489	81,289	866	52,366	143,964
Telephone	2,882	1,717	2,090	1,440	6,371
Depression	0	0	0	0	87,118
Disability	1,663	26,826	8,219	17,295	5,873
Tread and transportation	4,223	50,818	11,326	6,647	66,241
Professional services	532	21,242	1,879	19,011	83,083
Maintenance and repair	647	3,296	388	2,009	23,467
Minorance and equity	608	12,178	5,664	7,900	23,635
Insurance	2,217	3,431	5,856	3,890	87,268
Security	384	1,292	1,116	1,000	60
Children's recreation	0	6,452	0	2,016	0
Advertising	258	0	28	0	6,292
Real Estate	0	0	0	0	89,044
Postage	862	645	657	645	1,513
TOTAL PROGRAMS EXPENSES	1,231,232	4,791,279	2,228,282	1,482,119	9,495,093

See recipient's report for additional information.

THE METHODIST HOME FOR CHILDREN
SCHEDULE OF REPORTABLE CONDITIONS
For the Year Ended June 30, 1996

Finding/Recommendation

PRE-SIGNED CHECKS AND LACKING PROPER SAFE KEEPING

During the course of the audit, pre signed checks were observed sitting out in the open for over half a day. This is both a lack of safe keeping of the checks but is also a breakdown of internal control since one of the purposes of having two signatures on a check is to act as a review for proper expenditure, which is not being done if the checks are pre signed without your knowing what it will be used for. I recommend signing checks only after the check is written and store checks in the safe between uses.

Finding/Recommendation

TRAVEL, ENTERTAINMENT AND SEMINAR EXPENSES LACKING DOCUMENTATION

While documentation for travel, seminars and entertainment expense was good there were exceptions found during audit raising such as a hotel charge with no explanation for the business reason for the expense. There were also seminar expenses incurred with no indication of who attended and another with no supporting documentation. There was also an entertainment charge that wasn't supported with a receipt or invoice. Once again I recommend travel and entertainment expense should have supporting documentation as well as the business reason for the event. Copies of completed seminar forms with those who attended should be filed along with documentation of the business reason for the expense.

Finding/Recommendation

FIXED ASSETS AND DEPRECIATION

Fixed asset and depreciation schedules are not being maintained by the Methodist Home for Children. The accounting department should maintain and update the fixed asset schedule and record depreciation on the financial statements each month. This will allow you to monitor your assets, give you more complete financial statements, project your cash flow and monitor your capital improvements and budget analysis.

Finding/Recommendation

ACCOUNTS RECEIVABLE

Your accounts receivable subsidiary ledger did not agree with your general ledger at year end. The accounts receivable subsidiary ledger is not being reconciled with the general ledger monthly and hasn't been in years. This shows a lack of coordination and communication in the accounting department. The clearing account you use for accounts receivable is not analyzed and closed up each month. This leads to a lack of control over the billing/collection process. Also the aging of receivables is not being monitored. 21% of accounts receivable are over 90 days old and has averaged 24% over the last 5 years. It is also advisable having the same person handle the billing and collection of accounts receivable.