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**DAYSTAR, INC.**  
**FINANCIAL REPORT**  
**June 30, 1996**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the church, or reviewed, entry 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: July 1, 1996

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## FINANCIAL SECTION

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

A PROFESSIONAL CORPORATION

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Philip W. Rebowe, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Daystar, Inc.,  
Kenner, Louisiana

We have audited the accompanying balance sheet of Daystar, Inc. (a nonprofit "Organization") as of June 30, 1996, and the related statements of support, revenue, and functional expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Organization'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 and Government Auditing Standards, issued by the Comptroller General of the United States. These standards 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 Daystar, Inc. as of June 30, 1996 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 6, the Organization's funding source has canceled all contracts under which the Organization operated and as a result, the Organization discontinued operations on August 9, 1996.

In accordance with Government Auditing Standards, we have also issued reports dated August 20, 1996 on our consideration of Daystar, Inc.'s internal control structure and on its compliance with laws and regulations.

*Rebowe & Company*

August 19, 1996

**DAYSTAR, INC.**  
**BALANCE SHEET**  
June 30, 1998

ASSETS

Contracts receivable	\$ 13,178
Employee loans receivable (Net of allowance)	<u>9,586</u>
<b>TOTAL ASSETS</b>	<b>\$ 22,764</b>

LIABILITIES AND FUND BALANCE

<b>Liabilities</b>	
Bank overdrafts	2,384
Accounts payable	1,382
Compensated absences	<u>2,534</u>
<b>Total Liabilities</b>	<b><u>6,000</u></b>
<b>Fund Balance</b>	
Undesignated	<u>12,142</u>
<b>Total Fund Balance</b>	<b><u>12,142</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 22,764</b>

See accompanying notes to financial statements.

**DAYSTAR, INC.**  
**STATEMENT OF SUPPORT, REVENUE, AND FUNCTIONAL EXPENSES**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 1996**

**SUPPORT AND REVENUE:**

Fees and contracts with governmental agencies:	
Infection Control Human Services	
Authority contracts	\$483,220
Infection Control District Attorney contract	1,751
Employee management fee	41,850
Other revenues:	
Donated office space	15,800
Miscellaneous	<u>    693</u>
<b>Total Support and Revenue</b>	<b><u>563,313</u></b>

**EXPENSES:**

<b>Crisis Intervention:</b>	
Personal services	450,660
Employee benefits	66,223
Compensated absences	2,934
Operating services	33,174
Contract services	50,103
Professional services	8,014
Supplies	12,411
Office lease expense	33,000
Travel and conferences	21,277
Capital outlays	8,178
Miscellaneous	<u>5,280</u>
<b>Total Crisis Intervention</b>	<b><u>683,473</u></b>
<b>General and Administrative:</b>	
Professional services	18,384
Salaries and related benefits	30,584
Bad debt	10,080
Miscellaneous	<u>2,732</u>
<b>Total General and Administrative</b>	<b><u>41,780</u></b>
<b>Total Expenses</b>	<b><u>725,253</u></b>

(Continued)

**DAYSTAR, INC.**  
**STATEMENT OF SUPPORT, REVENUE, AND FUNCTIONAL EXPENSES**  
**AND CHANGES IN FUND BALANCE (CONTINUED)**  
**For the Year Ended June 30, 1996**

Income of Support and Revenue over Expenses	\$ 27,248
Fund balance (Deficit), beginning of year	<u>(18,000)</u>
Fund balance, end of year	<u>\$ 13,347</u>

See accompanying notes to financial statements.

**DAYSTAR, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1995**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Organization*

Daystar, Inc. (the "Organization") was incorporated on May 28, 1990 and functions as a nonprofit organization. The mission of the Organization is to help adults, children, and adolescents in psychiatric/behavioral crisis. To this end, the Organization provides crisis intervention services through face-to-face crisis management and telephone consultation.

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualified as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

*Basis of Accounting*

The financial statements of the Organization are prepared in accordance with generally accepted accounting principles and the "Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations". The accrual basis of accounting is used.

*Free Use of Facilities and Equipment*

The Organization receives free use of its office space, which is provided by Jefferson Parish Human Services Authority (JPHSA). An amount is recorded as revenue and expense in the period of use at the estimated fair market value.

In addition, furniture and equipment used by the Organization is owned by the JPHSA. The value of this free use of furniture and equipment is not reflected in these statements since it is not susceptible to objective measurement or valuation.

*Compensated Absences*

All full-time, management and non-management employees of the Organization are allowed to accrue and accumulate vacation leave. Management employees are entitled to 4.62 hours of paid leave each pay period through the second year of employment and 6.15 hours each pay period thereafter. Non-management employees are entitled to 3.08 hours of paid leave each pay period through the second year of employment and 4.62 hours each pay period thereafter.



**DAYSTAR, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1996

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The maximum number of hours allowed to accumulate is 140. An expense and a corresponding liability are recorded on the financial statements for these compensated absences.

**Statement of Cash Flows**

The Organization has elected not to present a statement of cash flows. This omission is permitted by generally accepted accounting principles under the AICPA Audit Guide *Health of Voluntary Health and Welfare Organizations*.

**Use of Estimates**

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

**NOTE 2 - DESCRIPTION OF PROGRAMS**

**Adult and Children's Crisis Team (ACCT)**

ACCT is a mobile crisis team which evaluates adults and children in psychiatric/behavioral crisis to provide assessment, de-escalation and intervention. Face-to-face crisis management services and telephone consultations are offered to adults and their families for support and assessment. Liaison services are provided for community resources.

ACCT uses supportive and educational interventions which help the family de-escalate the existing crisis. The crisis situation is used to generate growth-producing alternatives. The focus of the program is to assess individuals in crisis, and to provide intervention toward the goal of decreasing hospitalizations and strengthening family functioning.

**Adverse Coordination Program (ACP)**

ACP provides a link between the hospital, the clinic, the clinic and the community by providing short term intervention and follow-up during the post hospitalization phase prior to a clinic appointment.

**DAYSTAR, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 1996**

**NOTE 2 - DESCRIPTION OF PROGRAMS (CONTINUED)**

**Crisis Programs**

The professional staff of the Organization offers debriefing services to employees whose staff or customers are in need of debriefing due to a traumatic event. Intervention is used in most situations with short-term individual counseling available on an "as needed" basis. The staff is also available to conduct community education in all program areas.

In addition to the above, the Organization is acting as a pay master for a variety of programs funded through the Jefferson Parish Human Services Authority (JPHSA). These include:

- Enhanced Outpatient Services
- Community Services for Persons with Developmental Disabilities
- EBV
- Division of Community Support
- Drug Court Treatment Services
- MET - Infant Program
- PACT

**NOTE 3 - MAJOR CONTRACTS**

On July 1, 1995, the Organization contracted with the Jefferson Parish Human Services Authority (JPHSA) to provide crisis intervention programs to the citizens of Jefferson Parish. The contracts expired on June 30, 1996. Under the contracts, JPHSA provided reimbursement for expenses related to the crisis intervention operations of the Organization. During the fiscal year ended June 30, 1996, reimbursements received under these contracts totaled \$607,334.

In addition to the base amount of the contracts, the Organization also receives an employee management fee from JPHSA. A fee of approximately 10% of payroll for certain employees is charged in order to cover the costs of certain payroll-related benefits. During the fiscal year ended June 30, 1996, these fees totaled \$41,858.

The Organization had received additional contracts from JPHSA for the fiscal year ending June 30, 1997 totaling \$538,285. However, these contracts were cancelled and the Organization discontinued operations on August 9, 1996. (See Note-6)

**DAYSTAR, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 1996

**NOTE 3 - MAJOR CONTRACTS (CONTINUED)**

Because the expenses reported to JPUSA for reimbursement are on the cash basis of accounting, differences exist between the amounts recorded as expenses in these financial statements and the amounts previously submitted to JPUSA. A reconciliation of these amounts is as follows:

Total expenses per financial statements	\$ 755,273
Less: costs associated with District Attorney's contract	(1,751)
Less: recodation of fair market value of facility usage	(25,000)
Less: bad debt expense	(10,000)
Add: amounts paid for compensated absences expensed in prior years but not reimbursed	9,169
Add: settlement expensed in current year but accrued for prior year report	____2,500
Total expenses reimbursed by JPUSA	<u>\$ 720,191</u>

**NOTE 4 - RECEIVABLES**

Contracts receivable consists of \$13,378 due from the Jefferson Parish Human Services Authority. This amount was received in July 1995.

At June 30, 1996, receivables due from employees were as follows:

Amount receivable from the executive director	\$ 10,186
Amount receivable from an employee	____900
	<u>20,086</u>
Allowance for doubtful account related to executive-director receivable	____(10,000)
Employee loans receivable (net of allowance)	<u>\$ 9,086</u>

The balance of \$9,086 was collected in July and August 1996.

#### **NOTE 5 - CONTINGENCIES**

The Organization settled a lawsuit during the fiscal year ended June 30, 1996 for \$2,500. This amount had been accrued in the prior year. The Organization is also a defendant in a lawsuit arising out of its normal course of business. At June 30, 1996, the outcome of the lawsuit is not determinable, however, it is the opinion of the Organization's attorney that resolution of this matter will not have a material adverse effect on the financial condition of the Organization.

#### **NOTE 6 - SUBSEQUENT EVENT**

As a result of the JPSEA contract cancellation, the Organization ceased operations on August 9, 1996 and the Board of Directors dissolved on August 13, 1996. The Organization's assets were liquidated and substantially all liabilities were satisfied. All expenditures related to the Organization's operations from July 1, 1996 to August 9, 1996 were paid through the normal reimbursement process noted in Note 5. Any excess or deficient fund balances existing for the period of July 1, 1996 to August 9, 1996 was absorbed by the JPSEA through reimbursement activities.

## OTHER REQUIRED REPORTS

# REBOWE & COMPANY

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July 16, 1996, 209

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS

To the Board of Directors  
Dynast, Inc.  
Kenner, Louisiana

We have audited the financial statements of Dynast, Inc. (a nonprofit "Organization") for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Accounting Standards, issued by the Comptroller General of the United States. These standards 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 Dynast, 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 Dynast, Inc. for the year ended June 30, 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 an 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 matter, which is listed on the attached schedule, 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 judgment, could adversely affect the Organization's ability to record, process, summarize, and report financial data 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 that the reportable condition described on the attached schedule is not a material weakness.

This report is intended for the information of the Board of Directors, management, and applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

### *Deloitte & Company*

August 30, 1996

**BAYSTAR, INC.**  
**SCHEDULE OF REPORTABLE CONDITIONS**  
**For the Year Ended June 30, 1998**

**1. CONDITION**

There appears to be an inadequate segregation of duties within the Organization. Due to the limited number of personnel, the Director is charged with most of the responsibilities relating to cash receipts and cash disbursements. The Organization does, however, have various controls in place which tend to mitigate this problem. Included in those mitigating controls are (1) reconciliation of cash receipts and cash disbursements is handled by an external accounting service, (2) the reconciliation of cash is performed by an external accounting service, and (3) the use of dual signatures is required on checks greater than \$500.

**RECOMMENDATION**

The Organization should continue to be aware of the potential problems caused by an inadequate segregation of duties and should be cognizant of the importance of the mitigating controls.

**RESPONSE**

We recognize this condition and will continue to monitor the integrity of the mitigating controls.



# REBOWE & COMPANY

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Philip W. Reboue, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH LAWS, REGULATIONS,  
CONTRACTS AND GRANTS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Daystar, Inc.  
Kenner, Louisiana

We have audited the financial statements of Daystar, Inc. (a nonprofit "Organization") as of and for the year ended June 30, 1996, and have issued our report thereon dated August 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards 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 Daystar, Inc. is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization'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 the instance of noncompliance described in the accompanying Schedule of Findings and Questioned Costs that is required to be reported herein under Government Auditing Standards.

We considered this instance of noncompliance in forming our opinion on whether the Organization's June 30, 1996 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 19, 1996 on those financial statements.

This report is intended for the information of the Board of Directors, management, and applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

*Delaware & Company*

August 10, 1996

**DAYSTAR, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 1996

	<u>Questioned Costs</u>
I. FINDING	I 20,085

It was noted that program funds were disbursed as personal advances to Organization employees, including the executive director. The advances were properly authorized by management. However, these transactions were a direct violation of the contract agreements governing the expenditure of funds. The cumulative amount of these transactions for the year approximated \$55,000. As of June 30, 1996, the balance due to the Organization, with respect to employee loans, was \$20,085. This entire balance consisted of funds advanced to the executive director. Based on the Organization's estimates and subsequent activities, approximately \$0,000 will not be collected on this debt and is appropriately reflected in the accompanying financial statements.

**RECOMMENDATION**

We recommend that the Organization discontinue all lending activities immediately. Also, the Organization should exhaust all means of collection on the unpaid debt due from the executive director.

**RESPONSE**

The Organization has discontinued operations and the executive director is pursuing bankruptcy protection. The Jefferson Parish Human Services Authority, along with any unpaid vendors, will pursue collection of the debt.