

4. The original contract with the Office of Mental Health for Psychological Skills Training to be provided at Lake House was for 27,986 units of service totaling \$141,725. On December 11, 1988 the contract was amended down to 9,384 units of service totaling \$118,723. During the fiscal year Lake House provided and billed for 12,499 units of service. Excluding depreciation, the Lake House program operated at a deficit of \$21,818. The service provided must either be scaled back in accordance with the contract or additional sources of funding must be obtained.
5. The amended Lake House contract called for a maximum payment of \$118,723. Due to the services provided in excess of maximum contracted services, Lake House invoiced the Office of Mental Health \$149,367 and was paid \$123,548. Since the Office of Mental Health approved payments in this amount, it appears the contract should be amended to total \$123,541.
6. The contracts with the State of Louisiana require that the audit report be issued within six months of the end of the fiscal year. The audit was not complete until the financial information for the fiscal year is processed. Promptly processing of accounting records would enable the audit to be completed in a timely manner.
7. The organization resolved prior year findings 1-3 by following the recommendations included in our letter dated April 28, 1989.

This report is intended solely for the information of the Board of Directors, management, and others within the organization.

Edna, Kinney & Brantley

Edna, Kinney & Brantley
Certified Public Accountants

January 3, 1990

We also noted the following reportable conditions that are not believed to be material weaknesses:

1. The procedures used to review and maintain vouchers for the LINC program need to be tightened as the following minor discrepancies were noted:
 - * Due to mathematical errors on the travel reimbursement requests for seven months, the contract was under-billed \$48 for the year.
 - * Copies of travel expense forms for January 1987 and April 1987 were not attached to the file copy of the invoice.
 - * The invoice submitted for September 1986 was for \$3,404. Only \$3,360 was received. An underpayment of \$44 resulted.
 - * The invoice submitted for March 1987 was for \$3,125. Only \$3,083 was received. An underpayment of \$42 resulted.
 - * The above findings indicate that Lake House was underpaid \$106 on this contract for the year and should attempt to obtain such funds from the Office of Mental Health.

2. The procedures used to complete and maintain the vouchers for the Drop-In-Center need to be tightened as the following minor discrepancies were noted:
 - * Voucher for January 1987 was mathematically incorrect leading to an under-billing of \$21. This error was caught by state prior to reimbursement so no underpayment occurred.
 - * The budget for related benefits to be computed at 15% of the salaries of the Program Directors (3 at \$3,380 = \$100,680 x 15% = \$1,510). The Program Directors only made \$9,500. The reimbursement thus should have been limited to \$1,365 (15% of \$9,100). However, reimbursements in the amount \$1,540 were received. The \$175 difference should be refunded to the state.
 - * The June 1987 invoice included the purchase of a personal computer for \$3,877 as part of supplies. Since the Office of Mental Health approved this payment as part of the invoice it will not be questioned. However, the budget should have been amended to include a capital outlay in this amount rather than showing a computer as supplies.
 - * The invoice for May 1987 in the amount of \$1,193 was never paid by the Office of Mental Health. Engine 22 states that the invoice was never received from Lake House. An attempt should be made to obtain payment for the May invoice.

3. The procedures used to complete and maintain the vouchers for Carroll Street need to be tightened as the following minor discrepancies were noted:
 - * The invoice for December 1986 indicated that ten residents were present for 28 days yet the billing was only for 28 days. Thus, the contract was under-billed by \$318.
 - * The invoice for February 1987 contained a math error causing it to be over-billed by \$1.
 - * Due to the above errors, an attempt should be made to obtain the net under-billed amount of \$314 from the Office of Mental Health.

Zahn, Kenney & Brette
Certified Public Accountants

**COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT AND
THE BOARD OF DIRECTORS - IDENTIFICATION
OF MATERIAL WEAKNESSES**

To the Board of Directors
and Executive Director of
St. Tammany Guidance Center -
Lake House

In planning and performing our audit of the financial statements of St. Tammany Guidance Center - Lake House (Lake House) for the year ended June 30, 1987, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions 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 Lake House'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 could 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 defined the following reportable conditions that we believe to be material weaknesses:

1. Due to limited resources available there is no segregation of duties with regard to the maintenance, recording, reporting and safeguarding of assets of Lake House.
2. Financial transactions are not recorded and summarized each month to allow for the preparation of interim financial statements for review by management.
3. These findings are reported from our prior year report.

Zahn, Kenney & Brette
Certified Public Accountants

**Independent Auditors' Report on Compliance with Laws and
Regulations Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Directors
St. Tammany Guidance Center
Lake House
1812 Jefferson Street
Mandeville, LA 70448

We have audited the financial statements of Lake House as of and for the year ended June 30, 1987 and have issued a report thereon dated January 3, 1988.

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, and contracts applicable to Lake House is the responsibility of Lake House's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Lake House's compliance with certain provisions of laws, regulations and contracts. However, our objective 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to management in a letter dated January 3, 1988.

This report is intended for the information of the board of directors, management, the Louisiana Department of Social Services, and the Louisiana Department of Health and Hospitals, Office of Human Resources. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Zahn, Kenney & Brette

Zahn, Kenney & Brette
Certified Public Accountants

January 3, 1988

We raised certain matters involving the internal control structure and its operation that we considered 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, would adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We consider the following to be reportable conditions:

1. Due to limited resources available, there is an aggregation of duties with regard to the maintenance, recording, reporting, and safeguarding of assets. This condition is being reported from our prior year report.
2. Financial transactions are not recorded and summarized each month to allow for the preparation of interim financial statements for review by management. This condition is being reported from our prior year report.

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

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 conditions described above are material weaknesses.

We also raised other matters involving the internal control structure and its operations that we have reported to the management of Lake Home in a separate letter dated January 3, 1988.

This report is intended for the information of the board of directors, management, the Louisiana Department of Social Services, and the Louisiana Department of Health & Hospitals, Office of Human Resources. However, this report is also a matter of public record, and its distribution is not limited.

Lohn, Krenny & Dracitz

Lohn, Krenny & Dracitz
 Certified Public Accountants

January 3, 1988

Zahn, Kinnery & Bissette
Certified Public Accountants

**Independent Auditor's Report on the Internal Control Structure
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Board of Directors
St. Tammany Guidance Center
Lake House
3812 Jefferson Street
Bastropville, LA 70628

We have audited the financial statements of St. Tammany Guidance Center - Lake House (Lake House) as of and for the year ended June 30, 1997 and have issued our report thereon dated January 3, 1998.

We conducted the audit in accordance with generally accepted auditing standards and with 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.

The management of Lake House 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 recorded in accordance with management's authorizations 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 the audit of the financial statements of Lake House for the year ended June 30, 1997 we obtained an understanding of its 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 the control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

NOTE 2--ACCOUNTS RECEIVABLE

The accounts receivable are due from the contracts with the State of Louisiana for services provided through June 30, 1997. All receivables are expected to be collected in a timely manner. The accounts receivable balance consists of the following:

| | | |
|------------------------------------|--|------------------|
| Louisiana: | | |
| Department of Health and Hospitals | | \$ 15,342 |
| Department of Social Services | | 3,488 |
| Southwest Louisiana Hospital | | <u>2,651</u> |
| Total | | <u>\$ 21,481</u> |

NOTE 3--PROPERTY AND EQUIPMENT

There were \$2,427 of additions and no deletions or retirements of equipment for the fiscal year ended June 30, 1997. Depreciation is calculated using the straight line method over a useful life of five to twelve years. Property and equipment consist of the following:

| Year | Costs | Depreciation Expense | Accumulated Depreciation | Net Book Value |
|------------------------|-----------------|----------------------|--------------------------|-----------------|
| | <u>\$28,185</u> | <u>\$2,321</u> | <u>\$25,482</u> | <u>\$ 2,703</u> |
| Furniture & Fixtures | 18,362 | 881 | 6,425 | 3,839 |
| Equipment | 12,123 | 1,440 | 19,057 | 14,336 |
| Balance, June 30, 1997 | <u>\$28,094</u> | <u>\$2,321</u> | <u>\$25,352</u> | <u>\$25,734</u> |

NOTE 4--NOTE PAYABLE

Lake House has a single bank loan payable at June 30, 1997 in the amount of \$4,200. The balance is payable in four monthly installments of \$820 and a final payment of \$1,200 which is due November 30, 1997. The payments include interest at the rate of 7.12%. The proceeds of this loan were used for working capital purposes. This loan is secured by the certificates of deposits.

NOTE 5--RELATED PARTY TRANSACTION

The Carroll Street property is rented from a board member for \$1,200 per month which is considered the market rate for such property.

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1987

NOTE 1--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Board of Directors of St. Tammany Guidance Center formed Lake House to fulfill a community need. Lake House is organized as a non-profit rehabilitation club house, and is part of a non-profit organization. This audit is for Lake House only as a separate operation and not for St. Tammany Guidance Center as a whole.

Economic Dependence - Lake House is significantly funded through contracts with the State of Louisiana for services it provides to mentally ill clients. Small amounts are received as contributions and no large fund raising are planned for the near future. Should the State of Louisiana cut its funding for such services, Lake House would be probably be forced to discontinue its operations.

B. Significant Accounting Policies

Books of accounting

The accounting records are kept on a cash basis throughout the year and converted to the accrual basis at year end for the purpose of issuance of these financial statements.

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 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 betterments are capitalized.

Income Taxes

Lake House has been granted tax exempt status as provided by Section 501(c)(13) of the Internal Revenue Code.

Bank and Cash Equivalents

For purposes of the statement of cash flows, Lake House 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

STATEMENT OF CASH FLOW

FOR THE FISCAL YEAR ENDED JUNE 30, 1997

| | |
|--|-------------------------|
| Cash Flow from Operating Activities: | |
| Decrease in net assets | \$ (13,411) |
| Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operations: | |
| Depreciation | 9,588 |
| Decrease (Increase) in accounts receivable | (2,801) |
| Decrease (Increase) in prepaid expenses | 1,188 |
| Increase (Decrease) in accounts payable | 1,872 |
| Increase (Decrease) in accrued payroll taxes | (1,709) |
| Increase (Decrease) in accrued salaries | <u>30</u> |
| Net cash used by operations | (9,380) |
| Cash flows from investing activities: | |
| Purchase of fixed assets | <u>(2,827)</u> |
| Net cash used by investing activities | (2,827) |
| Cash flows from financing activities: | |
| Proceeds of bank loans | 8,364 |
| Repayment of bank loans | <u>(2,561)</u> |
| Net cash provided by financing activities | <u>5,803</u> |
| Net increase in cash | 388 |
| Cash at beginning of year | <u>13,432</u> |
| Cash at end of year | <u>\$ 13,820</u> |

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

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 1987

| | |
|--|-------------------------|
| Public Support and Revenues | |
| Public support | \$ 1,787 |
| Fees from audio contracts | 274,847 |
| Fees from service contracts | 57,838 |
| Investment income | 514 |
| Other revenues | <u>4,518</u> |
| Total Public Support and Revenues | <u>339,496</u> |
| Expenses | |
| Lake House | 142,377 |
| Supported employment | 48,452 |
| LISC | 38,133 |
| Drop-In Center | 13,389 |
| Carroll Simon | <u>62,736</u> |
| Total Expenses | <u>305,087</u> |
| Decrease in net assets | (15,411) |
| Net assets beginning of year | <u>35,622</u> |
| Net assets end of year | <u>\$ 20,211</u> |

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

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1993

| | |
|---|------------------|
| ASSETS | |
| Cash | \$ 19,720 |
| Certificates of deposit (Note 4) | 10,000 |
| Accounts receivable (Note 3) | 19,291 |
| Prepaid expenses | 6,284 |
| Property and Equipment, net of \$43,283 of accumulated depreciation (Note 3) | <u>25,796</u> |
| Total assets | \$ <u>80,991</u> |
| LIABILITIES AND NET ASSETS | |
| Accounts payable | \$ 7,963 |
| Accrued payroll taxes | 6,261 |
| Accrued salaries | 3,600 |
| Notes payable (Note 4) | <u>8,163</u> |
| Total liabilities | 25,987 |
| Unrestricted net assets | <u>55,004</u> |
| Total liabilities and net assets | \$ <u>80,991</u> |

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

Zahn, Kenney & Brette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Tammany Guidance Center
Lake House
1812 Jefferson Street
Mandeville, LA 70448

We have audited the accompanying statement of financial position of St. Tammany Guidance Center - Lake House (Lake House), a non-profit organization, as of June 30, 1987, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Lake House'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, Government Auditing Standards, issued by the Comptroller General of the United States. Those 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 St. Tammany Guidance Center - Lake House as of June 30, 1987, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 5, 1988 on our consideration of Lake House's internal control structure and a report dated January 5, 1988 on its compliance with laws and regulations.

Zahn, Kenney & Brette

Zahn, Kenney & Brette
Certified Public Accountants

January 5, 1988

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

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LAKE HOUSE

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

FOR THE YEAR ENDED JUNE 30, 1997

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

Release Date MAR 24 1998 -2