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**Success Counseling Services - North
d/b/a Success Insite
Bossier City, Louisiana**

**Financial Statements
June 30, 1998**

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 4/16/99

**Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana**

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**Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana**

Exhibit A

Statements of Financial Position
June 30, 1998 and 1997

	Assets	
	1998	1997
Current Assets		
Cash	\$ 20,905	\$ 21,841
Accounts Receivable	32,586	16,560
Prepaid Insurance	4,966	3,690
Total Current Assets	58,457	42,091
 Property, Plant and Equipment - Net	 10,621	 -
 Deposits	 1,500	 -
Total Assets	\$ 70,578	\$ 42,091
	Liabilities and Net Assets	
Current Liabilities		
Accounts Payable	\$ 4,870	\$ 1,545
Capital Lease Obligation – Current Portion	781	-
Notes Payable – Current Portion	17,789	-
Accrued Payroll and Taxes	38,405	34,443
Total Current Liabilities	61,845	35,988
 Long-Term Liabilities		
Capital Lease Obligation – Long Term Portion	1,750	-
Notes Payable – Long Term Portion	4,807	-
Total Liabilities	68,402	35,988
 Net Assets		
Unrestricted	2,176	6,103
Temporarily Restricted	-	-
Permanently Restricted	-	-
Total Net Assets	2,176	6,103
Total Liabilities and Net Assets	\$ 70,578	\$ 42,091

The notes to Financial Statements are an integral part of these statements.

Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana

Exhibit B

Statements of Activities
for the Years Ended June 30, 1998 and 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 1998	Totals 1997
Revenue from Operations					
Government Contracts	\$ 397,825	-	-	\$ 397,825	\$ 237,915
Other Revenue	6,560	-	-	6,560	2,798
	<u>404,385</u>	<u>-</u>	<u>-</u>	<u>404,385</u>	<u>240,713</u>
Total Revenue from Operations					
Expenses					
Program Services – Mental Health	358,664	-	-	358,664	204,530
Support Services – Administration	49,648	-	-	49,648	23,134
	<u>408,312</u>	<u>-</u>	<u>-</u>	<u>408,312</u>	<u>227,664</u>
Total Expenses					
Increase (Decrease) in Net Assets	(3,927)	-	-	(3,927)	13,049
Net Assets, Beginning of Year	6,103	-	-	6,103	(6,946)
Net Assets, End of Year	<u>\$ 2,176</u>	<u>-</u>	<u>-</u>	<u>\$ 2,176</u>	<u>\$ 6,103</u>

The notes to Financial Statements are an integral part of these statements

**Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana**

Exhibit C

Statements of Functional Expenses
for the Years Ended June 30, 1998 and 1997

	Totals			
	<u>Administration</u>	<u>Mental Health</u>	<u>1998</u>	<u>1997</u>
Accounting and Professional Services	\$ -	\$ 23,400	\$ 23,400	\$ 6,500
Bad Debt	-	188	188	-
Building Rent	1,058	6,846	7,904	5,200
Consulting	-	-	-	330
Depreciation	42	274	316	-
Equipment Rent	-	91	91	267
Insurance	2,190	14,162	16,352	10,412
Interest	-	912	912	-
Office Supplies	-	4,250	4,250	3,006
Penalties	-	1,109	1,109	-
Postage	-	747	747	250
Repairs and Maintenance	12	80	92	-
Salaries, Contract Services and Payroll Taxes	42,858	278,274	321,132	198,052
Travel	2,836	18,341	21,177	126
Utilities and Telephone	652	4,221	4,873	1,294
Other	-	5,769	5,769	2,227
Total	\$ 49,648	\$ 358,664	\$ 408,312	\$ 227,664

The notes to Financial Statements are an integral part of these statements

**Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana**

Exhibit D

Statements of Cash Flows
for the Years Ended June 30, 1998 and 1997

	Increase (Decrease) in Cash	
	1998	1997
Cash Flow from Operating Activities		
Increase (Decrease) in Net Assets	(\$ 3,927)	\$ 13,049
Adjustments to Reconcile Increase (Decrease) in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation	316	-
Changes in Assets and Liabilities <i>(Increase) Decrease in</i>		
Receivables	(16,026)	(7,370)
Deposits	(1,500)	-
Prepaid Insurance	(1,276)	(3,131)
<i>Increase (Decrease) in</i>		
Accounts Payable	3,325	(14,008)
Accrued Payroll and Taxes	3,962	27,616
Cash Provided (Used) by Operations	(15,126)	16,156
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(10,937)	-
Cash Used by Investing Activities	(10,937)	-
Cash Flows from Financing Activities		
Proceeds From Issuance of Lease Obligation	2,800	-
Proceeds From Issuance of Debt	25,043	-
Payments of Long-Term Debt	(2,716)	-
Cash Provided by Financing Activities	25,127	-
Net Increase (Decrease) in Cash	(936)	16,156
Cash, Beginning of Year	21,841	5,685
Cash, End of Year	\$ 20,905	\$ 21,841

Supplemental Disclosure of Cash Flow Information

Cash Paid for Interest	\$ 912	\$ -
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The notes to Financial Statements are an integral part of these statements

**Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana**

Notes to the Financial Statements
June 30, 1998

Note 1 Organization and Significant Accounting Policies

Background

Success Counseling Services - North d/b/a Success Insite ("Success") is a not-for-profit human services organization specializing in serving mentally and emotionally challenged young persons in settings common to the clients. The organization began operations in July 1995, and serves clients in the Louisiana parishes of Caddo, Bossier, Natchitoches, DeSoto, Claiborne, Bienville, Sabine, Red River and Webster.

The organization receives fees for services provided under vendor contracts with the State of Louisiana Department of Health and Hospitals. During 1998, approximately 66% of the organization's total revenues were received for mental health services provided to Medicaid eligible clients. Approximately 32% of total revenues were received for mental health services provided under a social services contract with the Office of Mental Health. The Organization relies upon the funding from these sources for its operations.

Summary of Significant Accounting Policies

The accounting policies of the agency conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. The more significant accounting policies of the agency are described below:

Basis of Accounting: The agency prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Functional Expenses: Expenses are charged to each program based upon direct expenditures incurred.

Accounts Receivable: Success extends credit to contracting state agencies in the course of performing services in Central and North Louisiana on an unsecured basis.

Net Assets: Under the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations", net assets and revenues and contributions, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are not subject to donor-imposed stipulations. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Temporarily restricted net assets - Net assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., 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 Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations requiring they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions: All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Federal Income Taxes: Success is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Success is exempt from Louisiana income taxes as well.

Cash Equivalents: Success considers all highly liquid investments with a maturity of ninety (90) days or less when purchased to be cash equivalents.

Property and Equipment: Property and equipment are stated at cost. Success follows the practice of capitalizing expenditures for property and equipment in excess of \$100. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets.

Risks and Uncertainties: 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Concentrations of Credit Risk: Success maintains its cash balances at one financial institution in the service delivery area. The balance with the financial institution is insured by the FDIC up to \$100,000. At June 30, 1998 and 1997, the Organization had no uninsured cash balances.

Note 2 Property and Equipment

	Balance 6/30/97	Additions	Disposals	Balance 6/30/98
Office Equipment and Computers	\$ -	\$ 8,137	\$ -	\$ 8,137
Assets Held Under Capital Lease – Phone System	-	2,800	-	2,800
Total, at cost	-	10,937	-	10,937
Accumulated Depreciation (including \$100 accumulated amortization of assets held under capital lease)	-	(316)	-	(316)
Property and Equipment – Net	\$ -	\$ 10,621	\$ -	\$ 10,621

Depreciation charged to operations was \$316 and \$0 in 1998 and 1997, respectively. Included in depreciation expense for 1998 is \$100 of amortization expense on assets held under capital lease.

Note 3 Leases

The Organization leases its office space under an agreement that runs from May 1, 1998 for a term of thirty-six (36) months at a monthly rental of \$1,500. Prior to May 1, 1998, Success leased office space from a related party on a month to month basis at a monthly rental rate of \$350. The Organization also leased meeting space at the Highland Center, on a month to month basis through April 1998. Total lease expense for 1998 and 1997 was \$7,904 and \$5,200.

Minimum future rental payments under operating leases at June 30, 1998 are:

1999	\$	18,000
2000		18,000
2001		15,000
Total	\$	<u>51,000</u>

Note 4 Capital Leases

The Organization is the lessee of a phone system under a capital lease, which expires in March 2001. The assets and liability under capital leases are recorded at the fair value of the asset. The asset is amortized over its estimated useful life and is included in depreciation expense for 1998.

	<u>1998</u>	<u>1997</u>
Capital Lease asset obligation to AT & T, dated April 21, 1998, in the original amount of \$2,800, payable in thirty-six (36) monthly installments of \$114 including interest of 26.75% percent, secured by pledge of phone system	\$ 2,531	\$ -
Total Capital Lease Obligation	2,531	-
Less: Current Portion	(781)	-
Capital Lease Obligation – Long-Term Portion	<u>\$ 1,750</u>	<u>\$ -</u>

Minimum future lease payments under capital leases as of June 30, 1998 for each of the next three years and in the aggregate are:

1999	\$	1,367
2000		1,367
2001		797
Total minimum lease payments		<u>3,531</u>
Less interest included therein	(<u>1,000</u>)
Present value of net minimum lease payments	\$	<u>2,531</u>

Note 5 Notes Payable

The Organization entered into the following debt agreements:

	<u>1998</u>	<u>1997</u>
Installment note payable to an employee in the amount of \$10,000 dated 4/22/98, payable in 24 monthly payments of \$457 at a rate of 9%, unsecured.	\$ 9,618	\$ -
Installment note payable to a director in the amount of \$10,000 dated 4/22/98, payable in 12 monthly payments of \$875 at a rate of 9%, unsecured	9,201	-
Installment note payable to an employee in the amount of \$1,500 dated 6/1/98, payable in 3 monthly payments of \$507, at a rate of 9%, unsecured.	1,000	-
Installment insurance finance note in the original amount of \$3,542 dated April 1, 1998, payable in 9 monthly payments of \$409, at a rate of 9.5%, unsecured.	<u>2,777</u>	<u>-</u>
Total	\$ 22,596	\$ -
Current Portion	(17,789)	-
Long-Term Portion	<u>\$ 4,807</u>	<u>\$ -</u>

Following are maturities of long-term debt:

1999	\$ 17,789
2000	4,807
Total	<u>\$ 22,596</u>

Note 6 Related Party Transactions

During 1998, Success rented office facilities and received certain operational support on a reimbursed basis from Hidden Hollow Farms. During the years ended June 30, 1998 and 1997, the Organization paid \$3,500 and \$4,200 in rent expense, respectively, and \$109 and \$1,137 in other operating costs, including telephone and supplies. As of June 30, 1998 and 1997, the Organization owed Hidden Hollow Farms \$0 and \$350, respectively, for rent due, included in Accounts Payable.

At June 30, 1998, the Organization had outstanding notes payable to certain of its officers and directors totaling \$19,819. See Note 5.

At June 30, 1998, the Organization had \$1,050 receivable from one of its directors which is included in accounts receivable.

During the year ended June 30, 1998 and 1997, the Company paid \$12,400 and \$3,900, respectively to one of its directors for professional services.

Note 7 Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in grant contracts. Failure to fulfill the conditions as set forth in the grant contracts could result in the return of grant funds to the grantor.

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

Independent Auditor's Report

To the Board of Directors of
Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana

We have audited the accompanying statements of financial position of Success Counseling Services - North d/b/a Success Insite (a nonprofit organization) as of June 30, 1998 and 1997, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Success Counseling Services - North d/b/a Success Insite's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 audits provide 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 Success Counseling Services - North d/b/a Success Insite as of June 30, 1998 and 1997, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 1999 on our consideration of Success Counseling Services - North d/b/a Success Insite's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
April 21, 1999

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Success Counseling Services - North d/b/a Success Insite
Bossier City, Louisiana

We have audited the financial statements of Success Counseling Services - North d/b/a Success Insite (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated April 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Success Counseling Services - North d/b/a Success Insite's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Success Counseling Services - North d/b/a Success Insite in a separate letter dated April 21, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Success Counseling Services - North d/b/a Success Insite's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Success Counseling Services - North d/b/a Success Insite's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions noted are

- The Organization does not have procedures in place to ensure that the billing invoices are accurately supported by and representative of supporting work logs. The Organization prepares the actual billings from work logs, but does not have procedures to verify that the work log and the billing are identical.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
April 21, 1999

ROBERTS, CHERRY & COMPANY

Certified Public Accountants, Consultants

To the Board of Directors of
Success Counseling Services – North d/b/a Success Insite
Bossier City, Louisiana

As part of obtaining reasonable assurance about whether Success Counseling Services – North d/b/a Success Insite's (Success) financial statements as of and for the year ended June 30, 1998 were free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of our tests disclosed no instances of noncompliance that were required to be reported under Government Auditing Standards. However, we noted the following matters of immaterial noncompliance that deserve comment:

Success failed to comply with the Louisiana state law which requires that audited financial statements be issued within six months of an entity's fiscal year end. The June 30, 1998 financial statements should have been issued by December 31, 1998.

Sequence of Events Leading to Noncompliance

In May 1998, the management of Success received a letter from the Louisiana Legislative Auditor's office urging Success to engage a certified public accountant to perform the June 30, 1998 audit. Attached to the letter was a copy of the reporting frequency requirements of state law. The management of Success faxed a copy of the letter to Roberts, Cherry and Company asking for an explanation of the letter. Based solely on our review of the letter and the reporting frequency attachment, we advised management that based on their annual revenues, they could elect a biennial audit for the years ended June 30, 1998 and 1999. We further advised management that generally a biennial audit is more cost effective because only one set of financial statements and accompanying auditor's reports has to be prepared. The management of Success then advised Roberts, Cherry and Company of their intent to engage us for a biennial audit covering the fiscal years ended June 30, 1999 and 1998.

When we advised Success of the biennial audit option, we had not been provided with a copy of Success' contract with the Louisiana Department of Health and Hospitals which included the requirement in the DHH contract for an annual audit. In April 1999, Success was advised by DHH of the annual audit requirement. At that point, the organization was already out of compliance with the state law. Management immediately engaged Roberts, Cherry and Company to perform the audit of the financial statements for the fiscal year ended June 30, 1998.

Recommendation

We recommend that the management of Success annually review prior to year-end the current audit requirements in their contract and engage a certified public accountant to comply with those requirements. The engagement letter signed by the accountant and Success must include provisions to ensure that the audit is issued within six months of year end to comply with Louisiana state law.

This report is intended solely for the information and use of Success Counseling Services - North d/b/a Success Insite, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
April 21, 1999

**Success Counseling Services – North d/b/a Success Insite
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

We have audited the financial statements of Success Counseling Services – North d/b/a Success Insite as of and for the year ended June 30, 1998, and have issued our report thereon dated April 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 1998 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses : No

Reportable Conditions: Yes

Compliance

Compliance Material to Financial Statements: No

b. Federal Awards – N/A

c. Identification of Major Programs – N/A

Section II Financial Statement Findings

1998-1 Billings do not always agree to Work Logs.

Criteria: Time billed to the Office of Mental Health should agree to the time entered into work logs by social workers.

Condition Found: We noted three instances in which Success Insite underbilled the Office of Mental Health for services provided. We noted one instance in which Success Insite overbilled the Office of Mental Health.

Effect: There was no effect on the financial statements. The organization's contract with the state is limited to \$130,000 for the fiscal year ended June 30, 1998. The organization generally reaches the contract limit in May but continues to service clients through the end of the fiscal year in June. For the fiscal year ended June 30, 1998, the agency provided services totaling \$132,560. The final billing was adjusted to reduce the actual services provided to the amount allowed in the contract. The three instances of underbillings noted in the audit exceeded the one instance of overbilling noted. As a result, there are no questioned costs as a result of these findings.

Cause: The organization was using a manual billing system.

Questioned Costs: \$0

Recommendations: We recommend that the client implement a billing system that will ensure that billings are supported by underlying work logs thus eliminating both over and under billings.

Section III Federal Award Findings and Questioned Costs

Not Applicable

Success Counseling Services – North d/b/a Success Insite
Bossier City, Louisiana

Schedule of Prior Year Findings
For the Year Ended June 30, 1998

Section I – Internal Controls and Compliance Material to the Financial Statements

Reference	Description and Recommendation	Resolution or State
1997-1	<p>The Organization was not preparing timely bank reconciliations, which agreed to the books and records of the Organization.</p> <p>The Organization should prepare monthly bank reconciliations when the statements are received that will be agreed to or reconciled to book balances.</p>	Resolved as recommended
1997-2	<p>The Organization does not have in place a method or system of approving invoices for disbursements.</p> <p>The Organization should require that each request for payment be approved by a responsible person in addition to the person who prepares the check.</p>	Resolved as recommended
1997-3	<p>The Organization does not have a process or procedures to ensure proper accounting cutoff of revenue and expense items in the accounting periods.</p> <p>The Organization should identify all appropriate receivables and payables at each reporting period and post those adjustments to their books.</p>	Partially Resolved – Management has adopted a procedure to identify open receivables not reflected in the books as of a reporting period. These amounts were posted as audit entries.
1997-4	<p>The Organization does not have procedures in place to ensure that the billing invoices are readily traceable to supporting work logs.</p> <p>The Organization should prepare all bills to agencies based solely on the supporting work logs.</p>	Repeat Finding in following year, see Finding 1998-1.

Section II – Internal Controls and Compliance Material to Federal Awards
Not Applicable

Section III – Management Letter
Not Applicable

SUCCESS COUNSELING SERVICES NORTH DBA SUCCESS INSITE
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 1998

Section I Internal Control and Compliance Material to the Financial Statement

Summary of the recommendation: The Organization does not have procedures in place to ensure that the billing invoices are accurately supported by and representative of supporting work logs.

Management's Response: Prior to the 1997 audit conducted in December of 1997 information from supporting work logs was tallied manually. Donnalee Ammons, the Administrative Director, had repeatedly requested permission to utilize a computer program being utilized in other areas by the Office of Mental Health to collect the data that Success Insite was counting manually. In addition this program format was utilized for the Psychiatric Rehab Option of Medicaid. Success Insite staff were already using the same coding and individually numbered service logs for both classes of client. The Office of Mental Health denied access to this program because Success Insite was not a part of the pilot for the contracted services data collection.

The agency used the results of the 1997 audit, which indicated a better method of compiling the data for the monthly billings be developed, to apply pressure to OMH and finally was given permission to use the program which has a direct electronic feed to Baton Rouge and the State Office of Mental health through its contractual agreement with Statistical Resources. In March of 1998 the first computer supported billing was generated. This program accumulates time by minutes by service delivery category by client. Billing for each month is based on the total number of minutes of service by category by client divided by the appropriate time unit as stated in the contract. The service logs in question were during the manual billing period in 1998 before Success Insite was permitted to use the computer program. *It should be noted that in most cases the agency under-billed for services and in the 1 case of over-billing the service was provided, but not for a full 30 minute unit.*

Section II Internal Control and Compliance Material to Federal Awards

Not Applicable

Section III Management Letter

Summary of the recommendation: Management should review annually the audit requirements and engage a certified public accountant to comply with audit requirements and further to ensure an audit is issued within six months of the year end.

Management Response: As stated in the sequence of events leading to non-compliance section of the management letter, there was some confusion over the audit requirements. While Roberts, Cherry and Company did not have a copy of the 1998 DHH contract they were in possession of the 1997 contract which spelled out the same auditing requirements as currently exist. Adding to the confusion is the fact that previous contracts as well as the 1999-2000 contract indicate the appropriate audit is OMB Circular A-133 while Mr. Lester Mutz from DHH has indicated a GAS (Yellow Book) audit is required.

The agency will ensure that a letter of engagement is done within appropriate time lines in the future. Staff from Roberts, Cherry and Company will clarify the type of audit required and confirm their finding in writing to the agency

Donnalee Ammons is the contact person and is responsible for carrying out the corrective action