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FAMILY SERVICE OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING AND COMPLIANCE IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND OMB CIRCULAR A-133

Year Ended June 30, 1999

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 FEB 0 9 2000

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS

FAMILY SERVICE OF GREATER NEW ORLEANS

Year Ended June 30, 1999

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SPILSBURY, HAMILTON, LEGENDRE & PACIERA

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MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Family Service of Greater New Orleans (a nonprofit organization) as of June 30, 1999, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Family Service'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 the standards applicable to financial audits contained in *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 Family Service of Greater New Orleans as of June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Family Service's financial statements for the year ended June 30, 1998, from which the summarized information was derived.

President and Board of Directors
Family Service of Greater New Orleans

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 1999, on our consideration of Family Service of Greater New Orleans' internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Family Service of Greater New Orleans. The schedule of expenditures of federal awards on pages 21 and 22 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Spilsbury, Hamilton, Legendre & Paciera

November 12, 1999

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1999
With Summarized Financial Information
at June 30, 1998

	1999	1998
ASSETS		
Cash and cash equivalents	$ 270,917	$ 100,189
Accounts receivable	245,192	301,198
Contributions receivable	721,794	781,430
Prepaid expenses	7,730	2,530
Prepaid pension cost	0	149,994
Cash equivalents restricted to investment in property and equipment	259,358	259,647
Equipment	257,309	229,542
Leasehold improvements	177,241	153,948
Accumulated depreciation	(263,116)	(303,214)
Deposits	5,044	0
Investments	32,102	31,229
Cash equivalents restricted for permanent endowment	36,466	23,583
Total Assets	$1,750,037	$1,730,076
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 121,127	$ 38,490
Accrued pension cost	0	26,803
Accrued salaries	20,505	39,239
Accrued vacation	56,493	56,679
Deferred revenue	14,559	5,900
Deferred Gala income	0	5,400
Total Liabilities	212,684	172,511
Net Assets:		
Unrestricted net assets	374,962	381,452
Temporarily restricted net assets	1,113,650	1,137,100
Permanently restricted net assets	48,741	39,013
Total Net Assets	1,537,353	1,557,565
Total Liabilities and Net Assets	$1,750,037	$1,730,076

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1999
With Summarized Financial Information
for the Year Ended June 30, 1998

	Unrestricted
SUPPORT AND REVENUE	
Contributions	$ 12,704
Capital campaign contributions	0
Contributed services	6,088
Fees and grants from governmental agencies	1,182,540
Program service fees	338,026
Fund raising revenue	51,913
Interest income	19,089
Realized and unrealized gain (loss) on investments	(169)
United Way allocations and designations	17,703
Miscellaneous revenue	19,140
Net assets released from restrictions	989,258
Total Support and Revenue	2,636,292
EXPENSES AND LOSSES	
Program services:	
Counseling	1,378,556
At-Risk Children and Youth	690,193
Family and Individual Support	264,363
	2,333,112
Supporting services:	
Fund raising and development	81,293
Management and general	258,198
	339,491
Total Expenses	2,672,603
Loss on termination of capital lease agreement	0
Loss on disposal of equipment	2,551
Total Expenses and Losses	2,675,154
INCREASE (DECREASE) NET ASSETS - Before extraordinary item	(38,862)
Gain on termination of defined benefit pension plan	32,372
INCREASE (DECREASE) NET ASSETS - After extraordinary item	(6,490)
NET ASSETS	
Beginning of year, as previously stated	381,452
Prior period adjustment:	
Recognition of contributions receivable	0
Beginning of year, as restated	381,452
End of Year	$ 374,962

See accompanying notes to financial statements.

Temporarily Restricted	Permanently Restricted	1999 Total	1998 Total
$ 187,311	$ 0	$ 200,015	$ 241,001
89,164	10,294	99,458	220,030
0	0	6,088	6,341
0	0	1,182,540	933,161
0	0	338,026	373,065
0	0	51,913	39,124
3,618	0	22,707	15,242
0	0	(169)	430
685,149	0	702,852	689,707
0	0	19,140	5,975
(988,692)	(566)	0	0
(23,450)	9,728	2,622,570	2,524,076
0	0	1,378,556	1,273,268
0	0	690,193	478,179
0	0	264,363	181,880
0	0	2,333,112	1,933,327
0	0	81,293	51,307
0	0	258,198	262,508
0	0	339,491	313,815
0	0	2,672,603	2,247,142
0	0	0	1,082
0	0	2,551	0
0	0	2,675,154	2,248,224
(23,450)	9,728	(52,584)	275,852
0	0	32,372	0
(23,450)	9,728	(20,212)	275,852
462,889	39,013	883,354	607,948
674,211	0	674,211	673,765
1,137,100	39,013	1,557,565	1,281,713
$1,113,650	$48,741	$1,537,353	$1,557,565

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1999
With Summarized Financial Information for the Year Ended June 30, 1998

	Counseling	At-Risk Children and Youth	Family and Individual Support
Salaries	$ 848,112	$294,294	$172,901
Employee benefits	188,979	32,154	18,773
Payroll taxes	70,477	18,219	12,693
Total Employee Compensation	1,107,568	344,667	204,367
Bad debts	19,149	0	0
Conferences and meetings	1,144	6,251	5,285
Depreciation	6,200	0	358
Equipment repairs and maintenance	10,709	2,798	1,488
Insurance	2,983	838	693
Miscellaneous	3,026	0	859
National dues	7,079	1,717	1,220
Occupancy	125,062	34,472	22,156
Postage and shipping	10,651	2,306	1,742
Printing and publications	7,636	2,389	3,448
Professional fees	37,244	248,644	6,529
Routine staff travel	2,651	7,403	4,361
Special events	1,207	96	0
Specific assistance	1,923	2,265	2,152
Supplies	14,541	28,522	6,103
Telephone	19,783	7,825	3,602
Total Expenses	$1,378,556	$690,193	$264,363

See accompanying notes to financial statements.

Total Program Services	Fundraising and Development	Management and General	Total Supporting Services	Total Program and Supporting Services Expenses 1999	Total Program and Supporting Services Expenses 1998
$1,315,307	$30,838	$126,545	$157,383	$1,472,690	$1,460,200
239,906	3,781	47,374	51,155	291,061	103,289
101,389	2,827	12,701	15,528	116,917	115,935
1,656,602	37,446	186,620	224,066	1,880,668	1,679,424
19,149	6,078	0	6,078	25,227	0
12,680	108	1,633	1,741	14,421	16,310
6,558	0	25,041	25,041	31,599	27,265
14,995	294	1,235	1,529	16,524	12,449
4,514	144	622	766	5,280	6,017
3,885	15	2,143	2,158	6,043	2,610
10,016	275	1,195	1,470	11,486	10,996
181,690	4,504	13,516	18,020	199,710	180,651
14,699	1,138	2,640	3,778	18,477	16,271
13,473	1,707	4,981	6,688	20,161	13,826
292,417	1,662	12,108	13,770	306,187	143,479
14,415	3	1,589	1,592	16,007	14,409
1,303	26,485	327	26,812	28,115	21,460
6,340	0	0	0	6,340	6,490
49,166	835	1,921	2,756	51,922	68,259
31,210	599	2,627	3,226	34,436	27,226
$2,333,112	$81,293	$258,198	$339,491	$2,672,603	$2,247,142

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1999
With Summarized Financial Information
for the Year Ended June 30, 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$(20,212)	$275,852
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	31,599	27,265
Bad debts - Contribution receivable	6,078	0
Realized and unrealized (gain) loss on investments	169	(430)
Loss on termination of capital lease agreement	0	1,082
Loss on disposal of equipment	2,551	0
Contributions restricted for purchasing property and equipment	(89,165)	(206,077)
Interest restricted for purchasing property and equipment	(2,356)	(2,483)
Contributions restricted for permanent endowment	(10,294)	(13,953)
(Increase) decrease in assets:		
Accounts receivable	56,006	(111,660)
Contribution receivable	13,522	(29,906)
Prepaid expenses	(5,200)	654
Prepaid pension cost	149,994	(12,310)
Deposits	(5,044)	0
Increase (decrease) in liabilities:		
Accounts payable	49,624	23,177
Accrued pension cost	(26,803)	(559)
Accrued salaries	(18,734)	19,472
Accrued vacation	(186)	7,965
Deferred revenue	8,659	1,450
Deferred Gala income	(5,400)	5,400
Net Cash Provided by (Used for) Operating Activities	134,808	(15,061)

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JUNE 30, 1999
With Summarized Financial Information
for the Year Ended June 30, 1998

	1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in cash equivalents restricted for purchasing property and equipment	$ 289	$(202,706)
Purchase of investments restricted for purchasing property and equipment	(1,042)	(21,499)
Proceeds from sale or redemption of investments restricted for purchasing property and equipment	0	27,227
Purchase of equipment and leasehold improvements	(92,295)	(19,547)
Increase in cash equivalents restricted for permanent endowment	(12,883)	(12,900)
Net Cash (Used for) Investing Activities	(105,931)	(229,425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for purchasing property and equipment	126,612	210,066
Interest restricted for purchasing property and equipment	2,356	2,483
Contributions restricted for permanent endowment	12,883	12,900
Repayment of capital lease obligation	0	(730)
Net Cash Provided by Financing Activities	141,851	224,719
Net Increase (Decrease) in Cash and Cash Equivalents	170,728	(19,767)
Cash and Cash Equivalents -		
Beginning of Year	100,189	119,956
End of Year	$270,917	$100,189

Supplemental Schedule of Cash Flow Information

	1999	1998
Cash paid during the year for:		
Interest	$ 0	$ 0
Income taxes	$ 0	$ 0

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JUNE 30, 1999
With Summarized Financial Information
for the Year Ended June 30, 1998

	1999	1998
Non-Cash Investing and Financing Activities		
Disposal of copy machine due to termination of capital lease agreement -		
Net book value of asset	$ 0	$5,093
Elimination of capital lease obligation	$ 0	$4,011
Donated equities restricted for purchasing property and equipment	$ 0	$6,968

See accompanying notes to financial statements.

A. Description of Organization

Family Service of Greater New Orleans ("Family Service"), a non-profit organization, is a member agency of the Alliance for Children and Families, and is a United Way Agency. Its principal programs include: (1) counseling individuals and families; (2) at-risk children and youth programs; and (3) family and individual support programs.

Family Service is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

B. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Family Service prepares its financial statements on the accrual basis of accounting. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Family Service is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Reclassifications

Certain items in the prior-year summarized financial information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Cash and Cash Equivalents

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

Summary of Significant Accounting Policies (Cont'd)

Accounts Receivable

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Investments

Family Service records its investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in unrestricted or temporarily restricted net assets, depending on whether or not there are donor-imposed restrictions on the gains and losses.

Equipment and Leasehold Improvements

Equipment and leasehold improvements greater than $500 are capitalized at their purchase price, or, in the case of a contributed asset, at the estimated fair market value at the date of receipt.

Depreciation is computed using the straight-line method over the following estimated lives:

Equipment	5 years
Leasehold improvements	10 years

Deferred Revenue

Employee assistance program revenue, which represents approximately 17% of program service fees, is based on calendar year contract agreements. Payments received for services not yet rendered at June 30, 1999 are recorded as deferred revenue. Also, included in deferred revenue are mediation fees collected from clients for services not yet provided at year-end.

Net Assets

Net assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

Unrestricted Net Assets - Those net assets whose use is not restricted by donors.

Summary of Significant Accounting Policies (Cont'd)

Net Assets *(Cont'd)*

Temporarily Restricted Net Assets - Those net assets whose use by Family Service has been limited by donors (a) to later periods of time or after specified dates, or (b) to specific purposes.

Permanently Restricted Net Assets - Those net assets that must be maintained in perpetuity due to donor-imposed restrictions that will neither expire with the passage of time nor be removed by meeting certain requirements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor support in the form of cash and other assets is reported as restricted support if it is received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Family Service reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Family Service reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Summary of Significant Accounting Policies (Cont'd)

Contributions (Cont'd)

Family Service recognizes contributed services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 1999, management and general professional fees, totaling $6,088, were contributed to Family Service.

C. Contributions Receivable

The contributions receivable at June 30, 1999 are categorized by source as follows.

Capital campaign pledges	$ 31,645
Private grant	5,000
United Way allocations	685,149
	$721,794

Family Service conducted a capital campaign to obtain funding for the purchase of property and equipment and to establish a permanent endowment for Family Service. At June 30, 1999, pledges receivable relating to the campaign were as follows.

	Temporarily Restricted	Permanently Restricted	Total
Pledges receivable -			
Less than one year	$17,381	$2,384	$19,765
One to five years	14,667	0	14,667
	32,048	2,384	34,432
Discount to net present value	2,678	109	2,787
Net Pledges Receivable	$29,370	$2,275	$31,645

A discount rate of 6.2%, based on the U.S. Treasury Note yield, was used to calculate the present value of estimated future cash flows of the pledges receivable. No allowance for uncollectible pledges has been recorded, since management considers all amounts to be fully collectible.

In addition, in 1999 Family Service was awarded a private grant totaling $10,000. At June 30, 1999, $5,000 had not been collected.

Contributions Receivable (Cont'd)

Also in 1999, Family Service received written notification from the United Way detailing the fiscal year 2000 allocations. The United Way indicated in their correspondence that the $685,149 allocation was an unconditional promise to give.

No discount rate or allowance for uncollectible amounts has been recorded for these items, since management expects to receive the balances in less than one year.

D. Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are stated at fair value, which is based on quoted market prices for those investments.

The values of the investments by classification of net assets at June 30, 1999 are as follows.

Unrestricted	$ (54)
Temporarily restricted	281,514
Permanently restricted	46,466
Total Investments	$327,926

The value of the investments by asset type at June 30, 1999 are as follows.

Cash and cash equivalents:		
Restricted to investment in property and equipment	$259,358	
Restricted for permanent endowment	36,466	$295,824
Certificate of deposit	21,672	
Corporate stock	401	
Mortgage-backed securities	10,029	32,102
Total Investments		$327,926

The following schedule summarizes investment income and its classification in the *Statement of Activities* for the year ended June 30, 1999.

Investments (Cont'd)

	Unrestricted	Temporarily Restricted	Total
Interest income	$19,089	$3,618	$22,707
Realized and unrealized gain (loss) on investments	(169)	0	(169)
Total Investment Income	$18,920	$3,618	$22,538

Investment income is reported net of investment expenses, which totaled $310 in 1999.

E. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following.

Equipment	$257,309
Leasehold improvements	177,241
Accumulated depreciation	(263,116)
	$171,434

In 1999, depreciation expense was $31,599.

F. Retirement Plans

On December 31, 1996, Family Service elected to curtail its defined benefit pension plan. At that time, the plan ceased to accrue benefits and all participants became 100% vested in their accrued benefits. Then, on April 7, 1999, Family Service terminated its pension plan, resulting in a reversion of $23,611 to the organization. The reversion amount was determined as follows.

Fair value of plan assets at April 7, 1999	$1,692,509
Benefit obligation before additional contribution	(1,492,898)
Excess plan assets	199,611
Additional employer contribution	(176,000)
Amount of reversion to organization	$ 23,611

The weighted average discount rate and the expected long-term rate of return on assets were assumed to be 5.25% and 7.5% respectively on the date of termination. Prior to that time, both rates were estimated at 6.0%.

Retirement Plans (Cont'd)

The $176,000 additional employer contribution was the result of a plan amendment made by the Board of Directors during fiscal year 1999 to lessen the impact of discontinuing the plan on older active employees. This additional contribution, which is included in net periodic pension cost, was allocated to employees based on their combined age and total years of service.

The following table details the rollforward of prepaid pension cost.

Prepaid pension cost at June 30, 1998	$149,994
Net periodic pension cost	(158,755)
Amount of reversion to organization	(23,611)
Gain on termination of the pension plan	32,372
Prepaid pension cost at June 30, 1999	$ 0

The components of net periodic pension cost for 1999 are as follows.

Service cost	$ 15,073
Additional employer contribution	176,000
Interest cost on projected benefit obligations	63,805
Actual return on plan assets	(95,073)
Net amortization and deferral	(1,050)
Net periodic pension cost	$158,755

The gain on termination of the defined benefit pension plan of $32,372 is recorded as an extraordinary item due to its unusual and infrequent nature.

Effective January 1, 1997, Family Service established a defined contribution retirement plan covering full-time employees over 21 years old having at least one year of service. Contributions to the plan are at the discretion of the Board of Directors. The amounts in a participant's account shall be 100% vested upon the attainment of his normal retirement age or, if earlier, upon meeting the applicable vesting requirements listed below.

Years of Vesting Service	Vesting Percentage
Less than 3	0
3	50
4	75
5	100

Retirement Plans (Cont'd)

In 1999, Family Service contributed $76,702 to the defined contribution retirement plan based on 7.5% of the base salary of the eligible employees.

G. Commitments

Family Service presently conducts its operations at six locations in the Metropolitan New Orleans Area. The locations have operating leases expiring November 30, 2000 through December 31, 2008. All contain renewal options.

Rental expense for occupancy amounted to $177,728 for the year ended June 30, 1999. In addition, in November 1997, Family Service entered into three 60-month operating leases for copy machines. Rental payments under these leases were $8,526 for 1999.

Future minimum commitments under all operating lease agreements are as follows.

2000	$ 180,337
2001	180,377
2002	175,741
2003	172,669
2004	151,670
Thereafter	544,982
	$1,405,776

H. Concentration of Credit Risk

Family Service has cash in excess of the Federally-insured limit in one banking institution. The bank balance is categorized as follows:

Amount insured by FDIC	$100,000
Uninsured	75,427
Total Bank Balance	$175,427

I. Concentration of Revenue

During fiscal year 1999, Family Service received $702,852 from the United Way, which represents 27% of total support and revenue.

In addition, at June 30, 1999, Family Service had a contribution receivable from the United Way totaling $685,149, which represents 39% of total assets.

J. Unrestricted Net Assets

Unrestricted net assets consist of the following:

Carrying value after accumulated depreciation of equipment and leasehold improvements	$171,434
Net assets available for general activities	203,528
	$374,962

K. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes.

Counseling Program activities:		
United Way	$619,603	
Mobil - St. Bernard Parish	2,000	$ 621,603
At-Risk Children and Youth Program activities:		
United Way	58,941	
Families and Schools Together	104,355	
Anger Management	10,000	173,296
Family and Individual Support Program activities:		
United Way		6,605
Hibernia Bank - Clinical Symposium		757
Specific assistance to clients		505
Purchases of property and equipment:		
Capital Campaign contributions	256,876	
Other	54,008	310,884
		$1,113,650

The following temporarily restricted net assets were released from restrictions during 1999 due to the satisfaction of donor restrictions.

Temporarily Restricted Net Assets (Cont'd)

Counseling Program expenses:		
United Way	$609,711	
Other	16,008	$625,719
At-Risk Children and Youth Program expenses:		
United Way	58,000	
Families and Schools Together	162,506	220,506
Family and Individual Support Program expenses:		
United Way		6,500
Hibernia Bank - Clinical Symposium		1,241
Specific assistance to clients		1,000
Purchase of equipment and leasehold improvements		128,214
Uncollectible contribution receivables restricted for the purchase of property and equipment		5,512
		$988,692

L. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is restricted as follows.

Hibernia Bank - Clinical Symposium		$30,000
Available for general activities:		
Capital Campaign contributions	$ 8,741	
Other	10,000	18,741
		$48,741

In 1999, $566 of permanently restricted contribution receivables were determined to be uncollectible. As a result, this amount was recorded as bad debt expense and released from the permanently restricted net asset balance.

M. Prior Period Adjustment

During 1999, it was determined that the written notification received from the United Way in the current fiscal year detailing the next year's allocation meets the definition of an unconditional promise to give as described in SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

Prior Period Adjustment (Cont'd)

As a result, temporarily restricted net assets were increased by $673,765 as of June 30, 1997, which represents the contribution receivable from the United Way which had not been recorded until 1998. In addition, temporarily restricted net assets were increased by $674,211 as of June 30, 1998, which represents the contribution receivable balance from United Way as of that date. Therefore, the change in net assets for 1998 was increased by $446 from what had been previously reported.

SUPPLEMENTARY INFORMATION

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF REVENUE AND EXPENSES
UNITED WAY BUDGET FORMAT
YEAR ENDED JUNE 30, 1999

	Agency Total
REVENUE	
4200 Board-generated self-support	$ 358,074
4201 Client-generated self-support	336,074
5000 Government grants and contract	1,182,540
6700 Other revenue	43,030
Total Self-Generated Revenue	1,919,718
4702 United Way designations	15,129
4703 CFC designations	2,574
Total Revenue	1,937,421
4701 United Way allocations	674,211
Grand Total Revenue	2,611,632
EXPENSES	
7300 Compensation expenses	1,880,668
8400 Occupancy	199,710
8700 Travel and transportation	16,007
8900 Specific assistance	6,340
9402 Board-generated self-support	28,115
9400 Other direct program/support	510,164
Grand Total Expenses	2,641,004
Net Difference	$ (29,372)
9500 Depreciation	$ 31,599

EXPENSE ANALYSIS

Total direct program expenses

Percent of total program expenses

Distribution of supporting services expenses

Grand total program expenses

Unduplicated people served

Cost per person

Note 1: The *Schedule of Revenue and Expenses - United Way Budget Format* is prepared on the accrual basis of accounting, except for the United Way allocations, which are recorded on a cash basis.

Supporting Services	Total Program Services	Program Services: Counseling	At-Risk Children and Youth	Family and Individual Support
$170,163	$ 187,911	$ 14,241	$173,670	$ 0
0	336,074	294,720	41,354	0
50,288	1,132,252	383,451	541,174	207,627
42,078	952	659	293	0
262,529	1,657,189	693,071	756,491	207,627
0	15,129	13,616	1,362	151
0	2,574	2,317	232	25
262,529	1,674,892	709,004	758,085	207,803
0	674,211	609,711	58,000	6,500
262,529	2,349,103	1,318,715	816,085	214,303
224,066	1,656,602	1,107,568	344,667	204,367
18,020	181,690	125,062	34,472	22,156
1,592	14,415	2,651	7,403	4,361
0	6,340	1,923	2,265	2,152
26,812	1,303	1,207	96	0
43,960	466,204	133,945	301,290	30,969
314,450	2,326,554	1,372,356	690,193	264,005
$(51,921)	$ 22,549	$ (53,641)	$125,892	$(49,702)
$ 25,041	$ 6,558	$ 6,200	$ 0	$ 358
		$1,372,356	$690,193	$264,005
		58.99%	29.67%	11.34%
		$ 185,494	$ 93,297	$ 35,659
		$1,557,850	$783,490	$299,664
		8,085	2,581	5,415
		$ 192.68	$ 303.56	$ 55.34

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1999

Federal Grantor Pass-through Grantor Additional Pass-through Grantor Federal CFDA Program Title Family Service of Greater New Orleans Program Title	Federal CFDA or Other Identifying Number
U.S. Department of Health and Human Services	
Passed through Louisiana Department of Social Services	
Family Preservation and Support Services	93.556
Jefferson Region Family Resource Center	
Child Welfare Family Resource Center/Eastbank	
Child Welfare Family Resource Center/Westbank	
Passed through Volunteers of America of Greater New Orleans	
Family Preservation and Support Services	93.556
Volunteers of America of Greater New Orleans Collaborative	
Passed through Louisiana Department of Social Services	
Foster Care - Title IV-E	93.658
Foster Care	
Special Parents' Fund	
Social Services Block Grant	93.667
Child Abuse Prevention - Orleans Parish	
Child Abuse Prevention - Jefferson Parish	
Child Abuse Prevention - St. Bernard Parish	
Child Abuse Prevention - St. Tammany Parish	
Foster Care	
Special Parents' Fund	
Independent Living	93.674
Independent Living Skills	
Department of Justice	
Community Care and Pretrial Services	
Community Care Services	053L-99-14/
Pretrial Services	053L-98-13
Federal Bureau of Prisons	
Bureau of Prisons	08-5026
Passed through Louisiana Commission on Law Enforcement	
Passed through City of New Orleans	
Crime Victim Assistance	16.575
Passed through Jefferson Parish	
Victims of Crime Assistance (VOCA)	16.575

Pass-through Grantor Number(s)	Federal Expenditures		
518033	$354,718		
540344	48,690		
540345	61,499		
N/A	17,152	$482,059	
020001635	12,673		
020001635	1,808	14,481	
515411	25,798		
N/A	26,080		
N/A	18,980		
507872	53,173		
020001635	8,655		
020001635	1,234	133,920	
514704		127,200	$757,660
N/A	131,260		
N/A	59,350	190,610	
N/A		32,742	
97-C9-V.2-0359	47,354		
98-C7-V.4-0329	33,073	80,427	

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
YEAR ENDED JUNE 30, 1999

Federal Grantor Pass-through Grantor Additional Pass-through Grantor Federal CFDA Program Title Family Service of Greater New Orleans Program Title	Federal CFDA or Other Identifying Number
Department of Justice (Cont'd)	
Passed through Department of Juvenile Services of Jefferson Parish	
Byrne Formula Grant Program	16.579
Jefferson Parish Multi-Family Treatment	
Department of Veterans Affairs	
Passed through Veterans Affairs Medical Center	
Readjustment Counseling Services	
Vietnam Veterans Program	V629P-3204
Corporation for National and Community Services	
Volunteers in Service to America	94.013
VISTA Program	
Total Expenditures of Federal Awards	

NOTE 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 2: Of the federal expenditures presented in the schedule, Family Service of Greater New Orleans provided federal awards to subrecipients as follows.

Program Title	Federal CFDA Number	Subrecipient's Name	Amount
Family Preservation and Support Services	93.556	United Way	$ 900
		Active Intervention	2,678
		Donna D's Transportation	720
		Associated Catholic Charities	5,245
		Volunteers of America of Greater New Orleans	164,801
		Children's Bureau of New Orleans	12,027
		Kingsley House	14,071
		Center for Change	13,155
		Raintree Case Management	3,384
			$216,981

Pass-through Grantor Number(s)	Federal Expenditures	
96-B7-B.13-0080	$ 218	$ 303,997
N/A		750
N/A		429
		$1,062,836

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

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

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the financial statements of Family Service of Greater New Orleans ("Family Service") as of and for the year ended June 30, 1999, and have issued our report thereon dated November 12, 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 Family Service'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Service'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Family Service of Greater New Orleans' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

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 do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Family Service of Greater New Orleans in a separate letter dated November 12, 1999.

This report is intended solely for the information and use of the audit committee, board of directors, 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.

Spilsbury, Hamilton, Legendre & Paciera

November 12, 1999

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of Family Service of Greater New Orleans ("Family Service")(a non-profit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Family Service's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Family Service's management. Our responsibility is to express an opinion on Family Service's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Family Services.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Service's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Family Service's compliance with those requirements.

In our opinion, Family Service of Greater New Orleans complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Family Service of Greater New Orleans is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family Service's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of directors, and 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.

Spilsbury, Hamilton, Legendre & Paciera

November 12, 1999

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Service of Greater New Orleans.

2. A reportable condition was identified during the audit of the financial statements. It was not considered to be a material weakness.

3. No instances of noncompliance material to the financial statements of Family Service of Greater New Orleans were disclosed during the audit.

4. No material weaknesses were identified during the audit of the major federal award program.

5. The auditor's report on noncompliance for the major federal award program for Family Service of Greater New Orleans expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for Family Service of Greater New Orleans.

7. The program tested as a major program was as follows:

   CFDA #93.556 Family Preservation and Support Services

8. The threshold used to distinguish between Type A and Type B programs was $300,000.

9. Family Service of Greater New Orleans was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding No. 99-1

1. Statement of Condition:

   Numerous audit adjustments, in addition to normal closing entries (i.e., conversions from cash to accrual basis and the reclassification of deferred revenue amounts) were necessary to properly state the accounts receivable balances at year-end.

2. Context:

   Counseling Receivable Balances:

   Approximately 150 individual receivable balances, totaling $5,700, were deemed to be uncollectible items.

B. **FINDINGS - FINANCIAL STATEMENTS AUDIT** (Cont'd)

Finding No. 99-1

2. Context:

Counseling Receivable Balances: (Cont'd)

Approximately 280 individual receivable balances, totaling $9,900 were deemed to be the result of the misposting of current year services and/or the misposting of the subsequent collection of the receivable balances.

Mediation Receivable Balances :

Approximately 80 individual receivable balances, totaling $4,600, were deemed to be uncollectible items.

Approximately 30 individual receivable balances, totaling $5,500, were deemed to be the result of the misposting of current year services and/or the misposting of the subsequent collection of the receivable balances.

Approximately 30 individual receivable credit balances, totaling $7,600, were deemed to be for services that were provided prior to year-end; however, the revenue had not been recorded.

Other Receivable Balances:
Two individual receivable balances, totaling $8,800, were deemed to be uncollectible.

Approximately 30 individual receivable balances, totaling $4,500, were deemed to be the result of the misposting of current year services and/or the misposting of the subsequent collection of the receivable balances.

3. Effect of Condition:

There is no effect of this condition on the audited financial statements, since all proposed audit adjustments were accepted and posted by Family Service.

B. ***FINDINGS - FINANCIAL STATEMENTS AUDIT*** *(Cont'd)*

Finding No. 99-1 (Cont'd)

4. Cause of Condition:

   During the fiscal year, Family Service experienced numerous software problems with the accounts receivable module of its accounting software package. As a result, Family Service engaged the services of a programmer to design and implement a new accounts receivable program; however, the consultant was unable to design a system which met the needs of the agency.

   In addition, Family Service's old mainframe computer, which contained information related to client receivable balances, failed during the year.

   While these software problems contributed to the numerous accounts receivable adjustments, they did not prevent Family Service from reviewing and correcting the balances. However, due to the shortage of Family Service's accounting staff, the required adjustments to the receivable balances were not accumulated and posted until requested by the auditors.

5. Recommendation:

   Family Service should assign an individual or group of individuals the responsibility of reviewing the accounts receivable subledger on a monthly basis.

   Any unusual balances, which result from software problems or mispostings, should be investigated in a timely manner.

6. Management's Response:

   Management is currently in the process of obtaining a new software package for its accounts receivable subledger, which is specifically designed for voluntary health and welfare organizations.

   In addition, management has approved a new abounding position, whose responsibilities will include the monthly review of individual receivable balances.

C. ***FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT***

None

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MEMBERS OF
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November 12, 1999

Family Service of Greater New Orleans
2515 Canal Street
New Orleans, LA 70119

In planning and performing our audit of the financial statements of Family Service of Greater New Orleans ("Family Service") for the year ended June 30, 1998, we considered Family Service's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized as follows:

Accounts Receivable Issues

Comment

During our audit fieldwork, the accounting staff informed us that since May 1999 all fees that were billed by client were recorded on a cash basis. The accounting staff thought that this only included counseling and mediation fees. However, during our testing of government fees, it was determined that child abuse special invoicing, CEP, foster care, and EAP Folgers' billings were also recorded on a cash basis. Therefore, additional audit adjustments totaling $13,100 were necessary.

Recommendation

Family Service should review its accounts receivable trial balance and revenue accounts on a monthly basis. The above situation would have been detected by the accounting staff if the May and June Detail General Ledgers had been reviewed. Therefore, the agency should consider implementing this accounting procedure as part of its monthly closing procedures.

Comment

During our audit fieldwork, we requested a listing of the outstanding mediation receivable balances at year-end. We were given a schedule that had a credit balance of $3,000. The accountant explained that the mediation charges were scheduled from the workers' logs and were then compared to the cash received in fiscal year 2000, which related to fiscal year 1999 services. She stated that in the past, the workers have often listed the wrong service code or entered the wrong fee charge on their logs. Therefore, adjustments to the schedule were necessary to obtain the correct receivable balance.

Recommendation

Family Service has informed us that the agency plans to begin recording its counseling and mediation fees on a cash basis, with an accrual being recorded at year-end. If the accrual will be based on the worker's logs, it is imperative that the logs be complete and accurate. During the next fiscal year, the social workers should be trained to report appropriately the correct information to the accounting department. In addition, an individual or group of individuals should be given the responsibility to review all workers' logs, since they are the source documents from which client fees are posted to the general ledger.

Comment

Due to limitations in the accounts receivable software program, prior year audit adjustments had not been posted to the individual accounts receivable accounts. As a result, the subledger for contract receivables was misstated throughout the year.

Recommendation

It is our understanding that Family Service intends to implement a new software program for accounts receivable in fiscal year 2000. As the agency selects a new program, it should ensure that the new program allows audit adjustments to be posted to the appropriate accounts.

Disallowed Costs

Comment

During our confirmation of the Independent Living Skills' revenue, we discovered that Family Service had billed the State of Louisiana for $4,150 in excess of the signed contract.

Recommendation

The Independent Living Skills' program is funded through federal dollars. Under OMB Circular A-133, the organization may not bill a cost reimbursement contract for disallowed costs. While the State of Louisiana properly denied these costs, Family Service should implement a procedure to ensure that the agency does not incur and/or bill costs in excess of the contract amount.

Capital Campaign Funds

Comment

It was noted during our audit of fixed assets that several equipment purchases had been made with capital campaign funds. Of the $122,300 of approved purchases, $56,698 had not been transferred from the capital campaign investment account to the operating account.

Recommendation

Since Family Service has in the past experienced cash flow problems, it is important that these transfers be made on a timely basis.

Comment

It was noted that $2,983 of fiscal year 1999 capital campaign contributions and $1,000 of fiscal year 2000 contributions were not transferred from the operating account to the capital campaign investment account at the time of our audit fieldwork.

Recommendation

The purpose of the capital campaign investment account is to track the available capital campaign funds. Therefore, Family Service should make sure that all capital campaign dollars are transferred from the operating account to the investment account in a timely manner. This could be accomplished by having an individual review the capital campaign revenue account, the pledge receivable report, and the operating account deposit reports on a monthly basis and comparing these postings to the deposits in the investment account.

General Ledger Allocations of Payroll Expenses

Comment

During our audit testing, we noted that Family Service only includes a general ledger allocation form in an employee's personnel file if the person is a new hire or if the allocation split has changed from the prior year.

Recommendation

Payroll expenses constitute the largest category of Family Service's expenses. As a result, the proper allocation of payroll expenses is critical to properly stating the financial statements. To ensure that the proper allocations are recorded, all personnel files should contain an allocation schedule, which is completed by the individual and approved by his/her supervisor.

In accordance with Government Auditing Standards, we have previously issued our report, dated November 12, 1999, on our consideration of Family Service's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. In that report, we described the reportable condition that we noted during our audit. The following is a summary of Finding No. 99-1.

Comment

Numerous individual receivable balances totaling $19,100 were deemed to be uncollectible items.

Numerous individual receivable balances totaling $19,900 were deemed to be the result of the misposting of current year services and/or the misposting of the subsequent collection of the receivable balances.

Approximately 30 individual receivable credit balances, totaling $7,600, were deemed to be for services that were provided prior to year-end; however, the revenue had not been recorded.

Recommendation:

Family Service should assign an individual or group of individuals the responsibility of reviewing the accounts receivable subledger on a monthly basis.

Any unusual balances which result from software problems or mispostings should be adjusted in a timely manner.

This letter does not affect our report, dated November 12, 1999, on the financial statements of Family Service of Greater New Orleans.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Spilsbury, Hamilton, Legendre & Paciera

SPILSBURY, HAMILTON, LEGENDRE AND PACIERA
Certified Public Accountants

FSGNO

FAMILY SERVICE
OF GREATER NEW ORLEANS

Changing our world one family at a time
for 100 years

FSGNO

LEGISLATIVE AUDITOR
1999 ... 20 AM 11:42
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DATE: **December 22, 1999**

TO: **FSGNO Operating and Administrative Committee**

FROM: **Larry Taggart, Director of Finance and Administration** Larry Taggart

RE: **Response to Auditors Comments – FY 1999 Audit**

The following are our responses to the auditor's comments made in conjunction with the fiscal year 1999 audit:

Accounts Receivable Issues

Comment

During our audit fieldwork, the accounting staff informed us that since May 1999 all fees that were billed by client were recorded on a cash basis. The accounting staff thought that this only included counseling and mediation fees. However, during our testing of government fees, it was determined that child abuse special invoicing, CEP, foster care, and EAP Folgers' billings were also recorded on a cash basis. Therefore, additional audit adjustments totaling $13,100 were necessary.

Recommendation

Family Service should review its accounts receivable trial balance and revenue accounts on a monthly basis. The above situation would have been detected by the accounting staff if the May and June Detail General Ledgers had been reviewed. Therefore, the agency should consider implementing this accounting procedure as part of its monthly closing procedures.

RESPONSE

Due to the difficult and costly nature of processing (accruing revenue and offsetting with payments) billing by individual client in the noted areas it was the intention of Family Service to treat such items on a cash rather than an accrual basis. Because many of these types of clients are low income with low fees, or represent low volume, the goal was to minimize processing cost and more effectively utilize staff time.

Family Service would like to continue to recognize income from services billed by individual on a cash basis. There would be, however, an accrual generated at fiscal year end. A new client based case management information system to be installed in January 2000 will generate this year end receivable information as well as an aged trial balance (see information below on details on the failure of predecessor systems). It will also alert clinical staff as to any past due amounts, as well as monitor revenue by client and clinician.

Comment

During our audit fieldwork, we requested a listing of the outstanding mediation receivable balances at year-end. We were given a schedule that had a credit balance of $3,000. The accountant explained that the mediation charges were scheduled from the workers' logs and were then compared to the cash received in fiscal year 2000, which related to fiscal year 1999 services. She stated that in the past, the workers have often listed the wrong service code or entered the wrong fee charge on their logs. Therefore, adjustments to the schedule were necessary to obtain the correct receivable balance.

Recommendation

Family Service has informed us that the agency plans to begin recording its counseling and mediation fees on a cash basis, with an accrual being recorded at year-end. If the accrual will be based on the worker's logs, it is imperative that the logs be complete and accurate. During the next fiscal year, the social workers should be trained to report appropriately the correct information to the accounting department. In addition, an individual or group of individuals should be given the responsibility to review all workers' logs, since they are the source documents from which client fees are posted to the general ledger.

RESPONSE

While training and emphasis on accuracy had taken place on various occasions, worker accountability has been lacking. Only support staff logs are reviewed by supervisors on a regular basis. When obvious errors are noted by data entry, the logs are returned to the appropriate supervisor. While the new data base system will certainly improve accuracy and accountability, it will nonetheless not be cost inefficient for an individual or group of individuals to review all logs prior to entry into the database. Keeping in mind that logs represent not only all contact with clients, but also indirect time, a reviewer would have to know the funding source for each and every client as well as a reasonable knowledge of indirect time usage.

The new database system will have certain required data entry fields which will assist with accuracy as well as cross referencing to funding source codes. In addition, training and accuracy will be significantly emphasized. See also the response to the first comment.

Comment

Due to limitations in the accounts receivable software program, prior year audit adjustments had not been posted to the individual accounts receivable accounts. As a result, the subledger for contract receivables was misstated throughout the year.

Recommendation

It is our understanding that Family Service intends to implement a new software program for accounts receivable in fiscal year 2000. As the agency selects a new program, it should ensure that the new program allows audit adjustments to be posted to the appropriate accounts.

RESPONSE

It is not unusual for accounting software to prohibit direct journal entries to key accounts such as accounts receivable that normally are supported by automated subsidiary ledgers. Such is the case for the Family Service software. Audit entries were posted to a general accounts receivable account rather than individual accounts due to problems with subsidiary ledger software requirements. The new case management information system will permit tracking and posting to subsidiary ledgers by individual client for services billed by individual. The current accounts receivable subsystem will only be utilized to track billing by contract. Both used in concert should satisfy this concern.

Disallowed Costs

Comment

During our confirmation of the Independent Living Skills' revenue, we discovered that Family Service had billed the State of Louisiana for $4,150 in excess of the signed contract.

Recommendation

The Independent Living Skills' program is funded through federal dollars. Under OMB Circular A-133, the organization may not bill a cost reimbursement contract for disallowed costs. While the State of Louisiana properly denied these costs, Family Service should implement a procedure to ensure that the agency does not incur and/or bill costs in excess of the contract amount.

RESPONSE

This billing was intentional in the event that OCS could transfer unused funds from other sources to the Independent Living Skills program. This is the same procedure followed in prior years. The cost billed were eligible cost categories under the contract, but exceeded approved line item budgets. Appropriate adjustments have been made for the disallowed costs. Internal procedures will be reviewed and adjusted as appropriate.

Capital Campaign Funds

Comment

It was noted during our audit of fixed assets that several equipment purchases had been made with capital campaign funds. Of the $122,300 of approved purchases, $56,698 had not been transferred from the capital campaign investment account to the operating account.

Recommendation

Since Family Service has in the past experienced cash flow problems, it is important that these transfers be made on a timely basis.

RESPONSE

Since these funds were not immediately needed, they were left in the interest bearing capital campaign account rather than transferred to the non-interest bearing operating account. The transfers were made subsequent to the audit. A spreadsheet has been set up to track expenditures from capital campaign funds. Future transfers will be timely made.

Comment

It was noted that $2,983 of fiscal year 1999 capital campaign contributions and $1,000 of fiscal year 2000 contributions were not transferred from the operating account to the capital campaign investment account at the time of our audit fieldwork.

Recommendation

The purpose of the capital campaign investment account is to track the available capital campaign funds. Therefore, Family Service should make sure that all capital campaign dollars are transferred from the operating account to the investment account in a timely manner. This could be accomplished by having an individual review the capital campaign revenue account, the pledge receivable report, and the operating account deposit reports on a monthly basis and comparing these postings to the deposits in the investment account.

RESPONSE

The transfers were made subsequent to the audit. A spreadsheet has been set up to track capital campaign funds. In addition, a form has been designed for use by fund raising and development staff to help to identify the appropriate account to credit donations, contributions, etc. This should eliminate this type of error from recurring.

General Ledger Allocations of Payroll Expenses

Comment

During our audit testing, we noted that Family Service only includes a general ledger allocation form in an employee's personnel file if the person is a new hire or if the allocation split has changed from the prior year.

Recommendation

Payroll expenses constitute the largest category of Family Service's expenses. As a result, the proper allocation of payroll expenses is critical to properly stating the financial statements. To ensure that the proper allocations are recorded, all personnel files should contain an allocation schedule, which is completed by the individual and approved by his/her supervisor.

RESPONSE

Family Service recognizes that staff payroll allocations are essential in determining the true cost of providing services. When the present accounting software was put into effect several years ago, staff payroll allocations then in effect were distributed to all supervisors with the instruction to submit a Payroll Change Notice (PCN) where allocations were incorrect. A similar procedure has followed each year thereafter. All new hires have PCN's submitted at time of hire, and most employees have had revised PCN's submitted over the years as needed.

Having a supervisor approved PCN in an employee personnel file, however, does not in itself ensure that the proper allocations are recorded and are in effect. The new case management information system will utilize real time allocations of payroll based on actual client and client related contacts by staff. Monthly supervisory documented review of staff time distributions will also be implemented. In the meantime, all supervisors will shortly again receive a copy of current staff payroll allocations and will be required to either approve the current allocation or submit a corrective PCN.

In accordance with Government Auditing Standards, the auditors have previously issued their report, dated November 12, 1999, on their consideration of Family Service's internal control over financial reporting, and on their tests of its compliance with certain provisions of laws, regulations, contracts and grants. In that report, they described the reportable condition that they noted during their audit. There was no effect of this condition on the audited financial statements, since all proposed audit adjustments were accepted and posted by Family Service. The following is a summary of Finding No. 99-1.

Comment

Numerous individual receivable balances totaling $19,100 were deemed to be uncollectible items.

Numerous individual receivable balances totaling $19,900 were deemed to be the result of the misposting of current year services and/or the misposting of the subsequent collection of the receivable balances.

Approximately 30 individual receivable credit balances, totaling $7,600, were deemed to be for services that were provided prior to year-end; however, the revenue had not been recorded.

Recommendation:

Family Service should assign an individual or group of individuals the responsibility of reviewing the accounts receivable subledger on a monthly basis.

Any unusual balances which result from software problems or mispostings should be adjusted in a timely manner.

RESPONSE

Some background on this situation follows. In 1997 the Accounting Analysis began a national search to replace the aging and very customized client database and accounts receivable systems then running on an IBM mainframe System 36. No satisfactory software was located at that time. The Analyst position was vacated at the end of 1997 and budgetary constraints prohibited a replacement. In addition, during the last several years United

Way allocations have not materially increased, while government grants and contracts have increased. Unfortunately, these new government contracts for the most part do not provide adequate funds for the more onerous and time consuming accounting requirements, and additionally require up to a third in matching funds. Thus, while the organization's budget has grown, a lack of funds has actually resulted in the reduction of support staff by one and one-half employees.

Due, however, to similar receivable problems reported in the fiscal 1998 audit dated November 2, 1998, in December 1998 Family Service immediately began to again seek resolution of the problem. In December of 1998, based on a recommendation from United Way, Family Service engaged the services of a CPA/programmer to develop a client data base, part of the end result being the tracking of fee cases. After implementation in July 1999 it became obvious that the system developed by this individual did not produce the requested and needed output. Some subsequent attempts to resolve issues failed. (It should be noted, however, that the data input into this system will be transferable to the new client database system).

In addition, in early spring of 1999 an accounts receivable staff went out on maternity leave. And, in March of that year the old mainframe computer software containing client receivable balances failed, resulting in some client balances becoming unobtainable. Further, during this same period some key accounting staff were also involved in the opening of a new Covington office, the construction and opening of a new Slidell office, as well as the implementation of a new telephone system throughout all six FSGNO locations.

In October a new vendor with a product that appeared to help resolve many issues – the new case management information system cited several times above – was found, and was purchased in December 1999. This new system is currently being customized for Family Service needs and is scheduled to go live on February 1, 2000. Among other things it will provide fee and accounts receivable aging by client. This endeavor will also include the acquisition of additional computerization to assist in client fee tracking efforts.

Further, a new accounting position has been approved whose responsibility will include working with the new government contracts as well as various monthly account reconciliation, including receivable balances. This position should be filled by early 2000.

In summary, Family Service recognizes the need for and importance of account reconciliation. Every effort will be made to accomplish this and timely address problems.

Please let me know if you have questions on any of the above.

FSGNO

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Changing our world one family at a time
• for 100 years •

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December 22, 1999

1999 DEC 30 AM 11: 42

RECEIVED
LEGISLATIVE AUDITOR

Summary Schedule of Prior Year Audit Findings

COMMENT: Timely Bank Reconciliation's (FY 1998)
Due to several unforeseen circumstances, including two hurricanes in the Greater New Orleans area and the resignation of one of the members of the accounting department, Family Service did not have their bank reconciliations completed in a timely manner.

It is our understanding that bank reconciliations are part of the monthly general ledger closing procedures and that this delay was an isolated incident. In addition, we understand that, subsequent to year-end, all reconciliations have been completed in a timely manner.

STATUS:
Corrective action was taken.

COMMENT: Capital Campaign Funds (FY 1998)
In 1998, the Board of Directors of Family Service approved the borrowing of $42,000 from funds collected during the capital campaign to meet its cash flow demands. At year-end, $7,000 had been repaid with interest.

In addition, we understand that the Board of Directors has approved a payment plan that will have all capital campaign funds repaid by the end of November 1998.

We recommend that management repay these funds according to the payment plan. In the future, we encourage management to consider other alternatives for meeting immediate cash demands.

In addition, during 1998, $699.33 relating to capital campaign collections were deposited into the operating account.

We recommend that these amounts be transferred to Merrill Lynch Account #594-07M94, which contains the capital campaign funds.

STATUS:
Corrective action was taken.

COMMENT: Extension of Credit to Clients (FY 1998)

During our discussions with management, we became aware that the paperwork associated with invoicing clients for counseling and mediation fees is both costly and time consuming. As a result, we recommend that in the upcoming year management review its policies and procedures relating to the extension of credit to its clients.

STATUS:
Corrective action was taken.

COMMENT: The Year 2000 Issue (FY 1998)

The Year 2000 Issue results from the inability of a computer program to process year-date data accurately beyond the year 1999. Except in recently introduced year 2000 compliant programs, computer programs consistently have included abbreviated dates (that is, dates that excluded the first two digits of the year) with the assumption that those two digits would always be 19. Unless corrected, that shortcut may create widespread problems on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and either process data incorrectly or stop processing it altogether.

The Year 2000 Issue may affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the year 2000. Furthermore, some computer programs use several dates in the year 1999 (such as 01/01/99, 09/09/99, and 12/31/99) to mean something other than the date. As systems process data using those dates, they may produce erratic results or stop functioning.

The Year 2000 Issue presents yet another challenge: the algorithm used in some computer programs for calculating leap years may be unable to detect that the year 2000 is a leap year. Therefore, systems that are not year 2000 compliant may produce incorrect results.

We recommend that you begin to take immediate steps to identify, modify, and test all systems that may be impacted by the Year 2000 Issue. In addition, you should monitor your progress to ensure compliance before systems begin to fail, which may be evident before January 1, 2000. If the Organization fails to take timely and appropriate action, it may experience costly and significant computer program failures, which could prevent it from performing its routine processing activities. Depending on the extent of system failures, noncompliance could be catastrophic for the organization.

In addition, the Organization should implement verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information to ensure that those organizations also are year 2000 compliant. The Organization should satisfy itself that its operations or cash flows will not be affected by problems in those organizations relating to the Year 2000 Issue.

STATUS:
Corrective action was taken.

COMMENT: (FY 1998)
In accordance with Government Auditing Standards, we have previously issued our report, dated November 2, 1998, on our *consideration of Family Service's internal control over financial reporting, and on our tests of its compliance with certain* provisions of laws, regulations, contracts and grants. In that report, we described the reportable condition that we noted during our audit. The following is a summary of Finding No. 98-1.

Two hundred twenty-one (221) credit balances totaling $6,549 were included in the accounts receivable subledger. It is our understanding that the majority of these credit balances resulted from social workers not completing Forms 210. As a result, the cash collected from these counseling sessions was recorded, but the revenue was not. This condition may have resulted in net assets being understated by approximately $6,500.

We recommended in our report that an individual or group of individuals be assigned the responsibility of reviewing the accounts receivable subledger on a monthly basis. Any unusual balances should be investigated and appropriate action taken. It is our understanding that this procedure will be implemented and that the credit balances as of June 30, 1998 will be investigated as well.

STATUS:
Partially Corrected.
Initial research during the audit indicated that the credit balances resulted from cash receipts which were not accompanied by a "Form 210", the internal credit advice used to generate revenue entries to the general ledger. A customized automated package which was used to detect instances where staff time logs did not match Form 210'was no longer functional. Some initial review of the balances began in FY99 and the appropriate accounting entries made on disposition, with the remainder adjusted or written off as a result of the FY99 audit. In addition, the "Form 210" was revised and combined with daily logs to better ensure the collection and reporting of client fees.

Some further background on this situation follows. In 1997 the Accounting Analysis began a national search to replace the aging and very customized client database and accounts receivable systems then running on an IBM mainframe System 36. No satisfactory software was located at that time. The Analyst position was vacated at the end of 1997 and budgetary constraints prohibited a replacement. In addition, during the last several years United Way allocations have not materially increased, while government grants and contracts have increased. Unfortunately, these new government contracts for the most part do not provide adequate funds for the more onerous and time consuming accounting requirements, and additionally require up to a third in matching funds. Thus, while the organization's budget has grown, a lack of funds has actually resulted in the reduction of support staff by one and one-half employees.

Due, however, to the receivable problems reported in the fiscal 1998 audit dated November 2, 1998, in December 1998 Family Service immediately began to again seek resolution of the problem. In December of 1998, based on a recommendation from United Way, Family Service engaged the services of a CPA/programmer to develop a client data base, part of the end result being the tracking of fee cases. After implementation in July 1999 it became obvious that the system developed by this individual did not produce the requested and needed output. Some subsequent attempts to resolve issues failed. (It should be noted, however, that the data input into this system will be transferable to the new client database system).

In addition, in early spring of 1999 an accounts receivable staff went out on maternity leave. And, in March of that year the old mainframe computer software containing client receivable balances failed, resulting in some client balances becoming unobtainable. Further, during this same period some key accounting staff were also involved in the opening of a new Covington ofice, construction and opening of a new Slidell office, as well as the implementation of a new telephone system throughout all six FSGNO locations.

In October.1999 a new vendor with a product that appeared to help resolve many issues – a new case management information system – was found, and was purchased in December 1999. This new system is currently being customized for Family Service needs and is scheduled to go live on February 1, 2000. Among other things it will provide fee and accounts receivable aging by client. This endeavor will also include the acquisition of additional computerization to assist in client fee tracking efforts.

Further, a new accounting position has been approved whose responsibility will include working with the new government contracts as well as various monthly account reconciliation, including receivable balances. This position should be filled by early 2000.

In summary, Family Service recognizes the need for and importance of account reconciliation. Every effort will be made to accomplish this and timely address problems.

FAMILY SERVICE
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November 12, 1999

CORRECTIVE ACTION PLAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Family Service of Greater New Orleans respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm:

Spilsbury, Hamilton, Legendre and Paciera

4731 Canal Street, New Orleans, LA 70119

Audit period: Year ended June 30, 1999

The findings from the year ended June 30, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding No. 99-1

Recommendation: Family Service should assign an individual or group of individuals the responsibility of reviewing the accounts receivable subledger on a monthly basis.

Any unusual balances, which result from software problems or mispostings, should be investigated in a timely manner.

Action Taken: Management is currently in the process of obtaining a new software package for its accounts receivable subledger, which is specifically designed for voluntary health and welfare organizations.

In addition, management has approved a new accounting position, whose responsibilities will include the monthly review of individual receivable balances.

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

None

If the Department of Health and Human Services has questions regarding this plan, please call me at (504) 822-0800.

Yours truly,

FAMILY SERVICE OF GREATER NEW ORLEANS

By: Robert R. Quintana, Jr.

Robert R. Quintana, Jr.
Executive Director