

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF LOUISIANA
Baton Rouge, Louisiana 70801
504-386-3100

TECHE ACTION BOARD, INC.

AUDIT REPORT

MAY 31, 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.

NOV 24 1999
Release Date _____

TECHE ACTION BOARD, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the statement of financial position of Teche Action Board, Inc., as of May 31, 1999, and the related statements of activities, cash flows and functional expenses for the fiscal year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, government auditing standards and Office of Management and Budget Circular A-133. Those standards and OMB Circular A-133 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 Teche Action Board, Inc., as of May 31, 1999, and the results of its operations and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with government auditing standards, we have also issued our report dated August 20, 1999 on our consideration of Teche Action Board, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Teche Action Board, Inc., taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

August 20, 1999

Dozier, Hughley & Associates, P.C.
Dozier, Hughley & Associates, P.C.

TECHE ACTION BOARD, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 1999

<u>ASSETS</u>	<u>COMBINED</u>	<u>PRIMARY CARE</u>	<u>PROPERTY</u>
<u>Current</u>			
Accounts Receivable, Patients' Services (NOTE 2)	\$ 258,005	258,005	\$ -
Accounts Receivable, Settlements (NOTE 3)	112,106	112,106	-
Inventory (NOTE 4)	21,383	21,383	-
Prepaid Assets	13,312	13,312	-
	-----	-----	-----
Total Current Assets	404,806	404,806	-
<u>Property (NET) (NOTES 1 AND 5)</u>			
Land Improvements	2,199	-	2,199
Building and Improvements	930,387	-	930,387
Furniture and Equipment	77,101	-	77,101
	-----	-----	-----
Total Property	1,009,687	-	1,009,687
	-----	-----	-----
Total Assets	\$ 1,414,493	404,806	\$ 1,009,687
	=====	=====	=====
<u>LIABILITIES AND NET ASSETS</u>			
<u>Current Liabilities</u>			
Bank Overdraft (Cash)	16,649	16,649	-
Accounts Payable	\$ 45,189	45,189	\$ -
Accrued Payroll and Related Payables	86,180	86,180	-
Line of Credit (NOTE 7)	85,000	85,000	-
Lease Obligation (NOTE 6)	3,260	-	3,260
	-----	-----	-----
Total Current Liabilities	236,278	233,018	3,260
<u>Non-Current Liabilities</u>			
Lease Obligation (NOTE 6)	9,221	-	9,221
	-----	-----	-----
Total Liabilities	245,499	233,018	12,481
<u>Net Assets</u>			
Restricted (NOTE 8)	1,168,994	171,788	997,206
	-----	-----	-----
Total Liabilities and Net Assets	\$ 1,414,493	404,806	\$ 1,009,687
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MAY 31, 1999

	<u>COMBINED</u>	<u>PRIMARY CARE</u>	<u>PROPERTY</u>
<u>SUPPORT AND REVENUES</u>			
Grant, Public Health Service	\$ 993,549	993,549	\$ -
Other Grants and Contracts	35,060	35,060	-
Revenues, Patients' Services	1,161,389	1,161,389	-
Interest and Other	31,447	31,447	-
	-----	-----	-----
Total Support and Revenues	2,221,445	2,221,445	-
<u>EXPENSES</u>			
Salaries	1,466,849	1,466,849	-
Fringe Benefits	225,498	225,498	-
Contractual Services	182,223	182,223	-
Supplies	307,801	307,801	-
Travel	15,813	15,813	-
Occupancy	21,640	21,640	-
Repairs and Maintenance	14,565	14,565	-
Telephone and Postage	43,525	43,525	-
Dues and Registration	15,241	15,241	-
Insurance	34,257	34,257	-
Continuing Education and Meetings	5,569	5,569	-
Advertising	8,847	8,847	-
Automobile Expenses	7,187	7,187	-
Recruitment and Development	208	208	-
Interest	3,620	3,620	-
Other	5,244	5,244	-
Depreciation	76,452	-	76,452
	-----	-----	-----
Total Expenses	2,434,539	2,358,087	76,452
	-----	-----	-----
Support and Revenues Over (Under) Expenses	(213,094)	(136,642)	(76,452)
Net Assets, May 31, 1998	1,382,088	338,953	1,043,135
Acquisition of Capital Items	-	(27,615)	27,615
Reduction In Principal of Capital Lease	-	(2,908)	2,908
	-----	-----	-----
Net Assets, May 31, 1999	\$ 1,168,994	171,788	\$ 997,206
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MAY 31, 1999

	<u>COMBINED</u>	<u>PRIMARY CARE</u>	<u>PROPERTY</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Support and Revenues Over (Under) Expenses	\$(213,094)	(136,642)	\$(76,452)
Change In Operations To Cash Used By Operating Activities:			
Depreciation	76,452	-	76,452
Decrease In Accounts Receivable, Patients' Services	21,023	21,023	-
Increase In Accounts Receivable, Settlements	(36,087)	(36,087)	-
Decrease In Accounts Receivable, Other	9,712	9,712	-
Decrease In Inventory	10,319	10,319	-
Increase In Prepaid Assets	(5,481)	(5,481)	-
Increase In Accounts Payable	22,837	22,837	-
Decrease In Accrued Payroll and Related Payables	(3,161)	(3,161)	-
	-----	-----	-----
Net Cash From Operating Activities	(117,480)	(117,480)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Acquisition of Capital Items	(27,615)	(27,615)	-
	-----	-----	-----
Net Cash From Investing Activities	(27,615)	(27,615)	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Principal Reduction In Capital Leases	(2,908)	(2,908)	-
Increase In Line of Credit	85,000	85,000	-
	-----	-----	-----
Net Cash From Financing Activities	82,092	82,092	-
	-----	-----	-----
Net Change In Cash	(63,003)	(63,003)	-
Cash Balance, May 31, 1998	46,354	46,354	-
	-----	-----	-----
Cash Balance, May 31, 1999	\$(16,649)	(16,649)	-
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED MAY 31, 1999

<u>CATEGORY</u>	<u>COMBINED</u>	<u>MEDICAL SERVICES</u>	<u>ADMINIS- TRATION</u>
Salaries	\$ 1,466,849	1,188,148	\$ 278,701
Fringe Benefits	225,498	182,653	42,845
Contractual Services	182,223	155,268	26,955
Supplies	307,801	261,631	46,170
Travel	15,813	8,824	6,989
Occupancy	21,640	8,656	12,984
Repairs and Maintenance	14,565	9,030	5,535
Telephone and Postage	43,525	35,248	8,277
Dues and Registration	15,241	12,955	2,286
Insurance	34,257	11,305	22,952
Continuing Education and Meetings	5,569	5,569	-
Advertising	8,847	-	8,847
Automobile Expenses	7,187	7,187	-
Recruitment and Development	208	208	-
Interest	3,620	-	3,620
Other	5,244	262	4,982
Depreciation	76,452	64,985	11,467
	-----	-----	-----
Total Expenses	\$ 2,434,539	1,951,929	\$ 482,610
	=====	=====	=====

The notes are an integral part of these financial statements.

TECHE ACTION BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 1999

NOTE 1 - Summary of Significant Accounting Policies

- A. Teche Action Board, Inc., was incorporated in May 1974 in an effort to develop and maintain an organization which is capable of serving the needs for social and physical health for residents in the area. The Board is principally funded under a grant from the Office of Public Health Service, a component of the Department of Health and Human Services.
- B. The Board requests funds from the Department of Health and Human Services (HHS), in accordance with the grant agreement. In accordance with HHS policies, all funds disbursed should be in compliance with the specific terms of the grant, as defined. HHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the Board with the terms of the grant. In addition, if the Board terminated its HHS grant activities, all unexpended funds are to be returned to HHS.
- C. Property and equipment acquired with HHS funds are considered to be owned by the Board while used in the program or in future authorized programs. However, HHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Board may not transfer, mortgage, assign, lease or in any other manner, encumber certain property items without the prior approval of HHS.
- D. These financial statements are presented on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recorded when incurred.
- E. The Board is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, as amended.
- F. The Board has two major funds. They are Primary Care and Property. The Primary Care Fund is used to account for all transactions related to the primary care program funded by Public Health Service. The program is designed to provide care to low-income patients. The Property Fund is used to account for all non-expendable property.

TECHE ACTION BOARD, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 1999

NOTE 1 - Summary of Significant Accounting Policies (Continued)

- G. The Board instituted a 401(k) retirement plan which covers all eligible employees. The plan expenses for the fiscal year, which included administrative expenses were \$24,577. The plan was properly funded.
- H. The Board provides medical services to all requesting individuals. In cases where patients are economically unable to pay, discounts are provided, as required by Federal regulations. The Board has made provisions for any risk associated with services provided.
- I. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Accounts Receivable, Patients' Services

The Board extends credit to patients, as well as third party intermediaries responsible for medical services provided to patients. In most cases, the amount collected is less than the amount billed. The amount presented in accounts receivable is forty-five (45) percent of the gross amount.

NOTE 3 - Accounts Receivable, Settlement

The Board participates in cost reimbursement programs with Medicaid and Medicare. Accordingly, the Board is paid at interim rates during the fiscal year and reimbursed at full-eligible costs at the end of the fiscal year. Anticipated settlement amounts are presented below:

	<u>Medicaid</u>	<u>Medicare</u>	<u>Total</u>
May 31, 1996	\$ (98,310)	-	\$ (98,310)
May 31, 1997	5,027	-	5,027
May 31, 1998	100,717	-	100,717
May 31, 1999	78,526	26,146	104,672
	-----	-----	-----
Total	\$ 85,960	26,146	\$ 112,106
	=====	=====	=====

TECHE ACTION BOARD, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 1999

NOTE 4 - Inventory

Inventory consists of pharmaceutical and office supplies on hand at May 31, 1999. All items are valued at cost.

NOTE 5 - Property

In accordance with Federal Regulation 45 CFR, Part 74, depreciation expense on property purchased with Federal funds cannot be charged as an expense to the Federal program. Therefore, depreciation expense is reflected only in the Property Fund. The straight-line method of calculating depreciation is used. A summary of net property is presented below:

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land Improvements \$	3,142	943	\$ 2,199
Building and Improvements	1,236,514	306,127	930,387
Furniture and Equipment	375,094	297,993	77,101
	-----	-----	-----
Total	\$ 1,614,750	605,063	\$ 1,009,687
	=====	=====	=====

NOTE 6 - Lease Obligation

The Board entered into a capital lease agreement with the Great America Leasing Corporation for two copier machines. The lease is for a period of sixty (60) months and the annual interest rate is 11.5 percent. The monthly payment is \$377. Interest expense paid during the fiscal year was \$1,616 and depreciation expense recorded was \$3,430. A summary of future principal payments is presented below:

Total Payments	\$ 15,080
Interest	2,599

Principal Balance	\$ 12,481
	=====
May 31, 2000	\$ 3,260
May 31, 2001	3,654
May 31, 2002	4,095
May 31, 2003	1,472

	\$ 12,481
	=====

TECHE ACTION BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 1999

NOTE 7 - Line of Credit

The Board has a line of credit with the Whitney National Bank. The limit of the line is \$150,000 and the annual interest rate is 8.75 percent. Collateral for the line is current and future deposits. The line is scheduled to be liquidated by October 12, 1999.

NOTE 8 - Net Assets

Utilization of net assets is controlled by the Board of Directors. Any portion of net assets generated with Federal funds may require Federal approval before future utilization or disposition. This restriction is considered temporary.

NOTE 9 - Charity Care

The Board provides care to patients who qualify under Federal guidelines and other policies of the Board at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care is \$626,704.

NOTE 10 - Sharing the Care Program

The Board participates in several pharmaceutical distribution programs for indigent patients. Under these programs, free prescriptions are provided to eligible patients of the Board. The value, estimated to be \$740,000 is not included in the statement of activities.

SCHEDULE 1

TECHE ACTION BOARD, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED MAY 31, 1999

<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>FEDERAL SUPPORT</u>	<u>NON FEDERAL REVENUE</u>	<u>FEDERAL EXPENSES</u>	<u>NON FEDERAL EXPENSES</u>
<u>MAJOR</u>						
HHS	93.224	CSH600374	\$ 993,549	1,123,224	993,549	\$ 1,364,538
			-----	-----	-----	-----
	Total		\$ 993,549	1,123,224	993,549	\$ 1,364,538
			=====	=====	=====	=====

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

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

We have audited the financial statements of Teche Action Board, Inc., as of and for the fiscal year ended May 31, 1999, and have issued our report thereon, dated August 20, 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 Teche Action Board, Inc.'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 Teche Action Board, Inc.'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or

Internal Control Over Financial Reporting (Continued)

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 statement 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 financial reporting and its operation that we consider to be material weaknesses.

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

August 20, 1999

Dozier, Hughley & Associates, P.C.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Directors
Teche Action Board, Inc.
Franklin, Louisiana

Compliance

We have audited the compliance of Teche Action Board, Inc., 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 the major federal program for the year ended May 31, 1999. Teche Action Board, Inc.'s major federal program is identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of Teche Action Board, Inc.'s management. Our responsibility is to express an opinion on Teche Action Board, Inc.'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 Organizations*. 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 Teche Action Board, Inc.'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 Teche Action Board, Inc.'s compliance with those requirements.

In our opinion, Teche Action Board, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended May 31, 1999.

Internal Control Over Compliance

The management of Teche Action Board, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Teche Action Board, Inc.'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 for the information of the Board of Directors, management and funding sources. However, this report is a matter of public record and its distribution is not limited.

August 20, 1999

Dozier, Hughley & Associates, P.C.
Dozier, Hughley & Associates, P.C.

TECHE ACTION BOARD, INC.
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED MAY 31, 1999

A. Summary of Audit Results

1. Type of Report on Financial Statements - Unqualified.
2. The audit did not disclose any reportable conditions.
3. The audit did not disclose any areas of material noncompliance.
4. The audit did not disclose any reportable conditions in internal control over major program.
5. Type of Report on Compliance - Unqualified.
6. The audit did not disclose any audit findings required to be reported.
7. Major Program - Public Health Service, CFDA 93.224.
8. Dollar Threshold for Type A Program - \$ 300,000.
9. The auditee is qualified as a low-risk auditee.

B. Findings Reported in Accordance with GAGAS

Reportable Conditions

None

Questioned Costs

None

C. Findings and Questioned Costs For Federal Awards

Reportable Conditions

None

Questioned Costs

None

TECHE ACTION BOARD, INC.
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED MAY 31, 1999

Teche Action Board, Inc.'s audit report, dated August 12, 1998, for the fiscal year ended May 31, 1998, did not disclose any material weaknesses in the Board's system of internal controls.