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CARING CONNECTIONS, INC.

MONROE, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1997

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

DEC 09 1998

Release Date _____

CARING CONNECTIONS, INC.
DECEMBER 31, 1997

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- Accounting & Auditing
- H.U.D. Audits
- Non-Profit Organizations
- Business & Financial Planning
- Tax Preparation & Planning
- Individual & Partnership
- Corporate & Fiduciary
- Bookkeeping & Payroll Services

November 2, 1998

INDEPENDENT AUDITORS' REPORT

Board of Directors
Caring Connections, Inc.
Monroe, Louisiana

We were engaged to audit the accompanying statement of financial position of Caring Connections, Inc. (a nonprofit corporation) as of December 31, 1997, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Corporation's management.

As more fully described in footnote number 3, we were not able to confirm certain receivables due to the Corporation at December 31, 1997.

Because we were unable to satisfy ourselves concerning the amount of receivables due to the Corporation as explained in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with governmental auditing standards, we have issued our report dated November 2, 1998 on our consideration of Caring Connections, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

We were engaged to audit the accompanying financial statements for the purpose of forming an opinion on the basic financial statements of Caring Connections, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and other supplemental information for the year ended December 31, 1997 is presented for purposes of additional analysis as required by the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Nonprofit Organizations and is not a required part of the financial statements. As discussed in the paragraph above, the scope of our work was not sufficient to enable us to express an opinion on the financial statements. Similarly, we are unable to express, and do not express, an opinion on the supplemental information.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.



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November 2, 1998

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
Caring Connections, Inc.
Monroe, Louisiana

We have audited the financial statements of Caring Connections, Inc. as of and for the year ended December 31, 1997, and have issued our report thereon dated November 2, 1998. We conducted our audit in accordance with generally accepted accounting 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 Caring Connections, 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 instances of non-compliance that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 97-7.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caring Connections, 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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Caring Connections, Inc. in the attached Schedule of Findings and Questioned Costs as items 97-1, 97-2, 97-3, 97-4, 97-5, and 97-6.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Johnston, Perry, Johnson & Associates, L.L.P.

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November 2, 1998

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

Board of Directors
Caring Connections, Inc.
Monroe, Louisiana

Compliance

We have audited the compliance of Caring Connections, 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 each of its major federal programs for the year ended December 31, 1997. Caring Connections, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Caring Connections, Inc.'s management. Our responsibility is to express an opinion on Caring Connections, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted accounting 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 Caring Connections, 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 of Caring Connections, Inc.'s compliance with those requirements.

As described in item 97-7 in the accompanying Schedule of Findings and Questioned Costs, Caring Connections, Inc. did not comply with

requirements set forth by the Louisiana Legislative Auditor's office and grant contract regarding timely submission of audit reports. Compliance with such requirements is necessary, in our opinion, for Caring Connections, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Caring Connections, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

Internal Control Over Compliance

The management of Caring Connections, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Caring Connections, 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 the 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. However, we noted other matters involving the internal control over compliance that we have reported to the management of Caring Connections, Inc. in the attached Schedule of Findings and Questioned Costs as items 97-1, 97-2, 97-3, 97-4, 97-5, and 97-6.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

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CERTIFIED PUBLIC ACCOUNTANTS

CARING CONNECTIONS, INC.
 MONROE, LOUISIANA
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31, 1997

ASSETS

CURRENT ASSETS

Cash	500
Accounts Receivable - Grants	22,765
Accounts Receivable - Medicare	112,906
Accounts Receivable - Other	<u>1,000</u>

TOTAL CURRENT ASSETS 137,171

FIXED ASSETS AND PROPERTY

Furniture and Equipment at Cost, Net	102,864
Less: Accumulated Depreciation	<u>(29,131)</u>

TOTAL FIXED ASSETS AND PROPERTY 73,733

TOTAL ASSETS 210,904

LIABILITIES

CURRENT LIABILITIES

Bank Overdraft	25,787
Accounts Payable	15,541
Accounts Payable - Management Company	112,000
Accrued Compensated Absences	17,565
Accrued Payroll Taxes	27,954
Accrued Interest	13,304
Notes Payable - Current Portion	<u>323,832</u>

TOTAL CURRENT LIABILITIES 535,983

NET ASSETS

Unrestricted Net Assets	(325,079)
-------------------------	-----------

TOTAL NET ASSETS (325,079)

TOTAL LIABILITIES AND NET ASSETS 210,904

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

CARING CONNECTIONS, INC.
 MONROE, LOUISIANA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>1997 OPERATIONS</u>
<u>SUPPORT AND REVENUE</u>	
Grants - OCS	431,985
Grants - Medical Clinic Revenue	72,743
Grants - Medicare Reimbursements	112,906
Even-Start Program	28,829
Other Income	<u>4,154</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>650,617</u>
<u>EXPENSES</u>	
Program Services:	
Family Preservation	441,839
<u>Total Program Services</u>	<u>441,839</u>
Support Services:	
General and Administrative	470,903
<u>Total Support Services</u>	<u>470,903</u>
<u>TOTAL EXPENSES</u>	<u>912,742</u>
<u>EXCESS (DEFICIT) OF SUPPORT OVER EXPENSES</u>	(262,125)
<u>NET ASSETS - BEGINNING OF YEAR</u>	(62,954)
<u>NET ASSETS - END OF YEAR</u>	<u>(325,079)</u>

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

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		(262,125)
Change in Net Assets		(262,125)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation		19,595
(Increase) Decrease in:		
Accounts Receivable - Grants		27,996
Accounts Receivable - Other		(500)
Accounts Receivable - Medicare		(112,906)
Increase (Decrease) in:		
Accounts Payable		(16,451)
Accounts Payable - Management Company		112,000
Accrued Compensated Absences		3,755
Accrued Payroll Taxes		12,506
Accrued Interest		13,304
Bank Overdraft		(6,488)
Net Cash Provided (Used) by Operating Activities		<u>52,811</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment		(10,139)
Net Cash Provided (Used) by Investing Activities		<u>(10,139)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds on Loans		315,319
Payments on Loans		(95,866)
Net Cash Provided (Used) by Financing Activities		<u>219,453</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		-0-
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>		<u>500</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>		<u>500</u>
<u>SUPPLEMENTAL DATA</u>		
Interest Paid		13,304
Income Taxes		-0-

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

CARING CONNECTIONS, INC.
 MONROE, LOUISIANA
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 1997

PROGRAM SERVICES

	<u>FAMILY PRESERVATION</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL</u>
Personal Services	82,656	187,229	269,885
Related Benefits	13,517	21,653	35,170
Travel	3,799	12,012	15,811
Operating Services	34,140	84,493	118,633
Supplies	12,028	12,897	24,925
Professional Services	240,034	6,107	246,141
Equipment	3,200	-	3,200
Indirect Costs	<u>43,059</u>	<u>136,323</u>	<u>179,382</u>
 Total Expenditures Before Depreciation	 432,433	 460,714	 893,147
 Depreciation	 <u>9,406</u>	 <u>10,189</u>	 <u>19,595</u>
 <u>TOTAL EXPENSES</u>	 <u>441,839</u>	 <u>470,903</u>	 <u>912,742</u>

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

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Presentation:

The accompanying financial statements conform to generally accepted accounting principles for nonprofit organizations.

B. Organization:

Caring Connections, Inc. is a nonprofit organization located in Monroe, Louisiana. The Corporation was organized to provide services to families being affected by destructive educational, social, and psychological issues. These services are provided in nine parishes in north Louisiana. The primary goal of all services provided is to preserve the family structure of high-risk families.

C. Basis of Accounting:

The accompanying financial statements have been prepared on the account basis of accounting in accordance with generally accepted accounting principles.

D. Budget Policy:

An annual budget is submitted to the Board of Directors for review two months prior to the fiscal year-end of December 31. The budget review, amendments, and approval take place by November 30.

Budgets for various programs are prepared by the Corporation and approved by the grantor of the funds for each respective program.

E. Cash and Cash Equivalents:

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

F. Estimates:

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

CARING CONNECTIONS, INC.
 MONROE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Income Taxes:

The Corporation is recognized as a nonprofit corporation under the laws of the State of Louisiana and under Internal Revenue Code Section 501(c)(3). It is, therefore, exempt from federal and state corporation income taxes and no provisions are made for those taxes in the financial statements.

H. Property and Equipment Accounting:

Property and equipment acquired with the Corporation's funds are considered to be owned by the Corporation while used in the program or in future authorized programs. However, funding sources have a reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

The Corporation follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. The following lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5 Years
Furniture, Fixtures, and Equipment	7 Years

Net values are computed as follows:

	<u>1997</u>
Computer Equipment and Vehicles	73,155
Furniture, Fixtures, and Equipment	29,709
Less: Accumulated Depreciation	<u>(29,131)</u>
Net Value	<u>73,733</u>

I. Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS

The Corporation receives its monies through various methods of funding. Most of the funds are received on a grant basis. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure. The Corporation also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Corporation also receives funds by contributions from both public and private sources.

NOTE 3 - ACCOUNTS RECEIVABLE

The balance of accounts receivable consists of the following:

Accounts Receivable - Grants	22,765
Accounts Receivable - Medicare	112,906
Accounts Receivable - Other	<u>1,000</u>
<u>TOTAL</u>	<u>136,671</u>

The Accounts Receivable - Medicare represents amounts billed for patient services. The Corporation was awaiting review by Medicare of the cost report submitted for these amounts. The Corporation also has an off-setting accounts payable in the amount of \$112,000 to their management company that runs one of their health facilities for services already provided. The Corporation is also disputing approximately \$142,000 of billed services that Medicare has denied reimbursement. Management is actively pursuing the collection of the \$142,000.

NOTE 4 - COMPENSATED ABSENCES

Each employee earns one week of vacation leave after one year of employment. After year two, the employee receives two weeks of vacation leave. Unused vacation time can be carried forward to the next year.

As for sick leave, each employee earns four hours for each 160 hour month work. Unused sick leave is also carried forward to the next year. Upon termination of employment, unused accumulated sick leave is paid to the employee.

At December 31, 1997, the Corporation has a liability for compensated absences of \$17,565.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997

NOTE 5 - RELATED PARTY LOANS

During the year, Caring Connections, Inc. borrowed \$156,819 from Behavioral Medicine, Inc. and Tim Westmoreland, the executive director of Caring Connections, Inc. Tim Westmoreland also serves as Behavioral Medicine, Inc.'s president. Interest is being charged on the loans, generally at 13%. Loan payments of \$95,866 were made to Behavioral Medicine, Inc. and Tim Westmoreland during the year as funds became available. At the end of the year, Caring Connections, Inc. still owed a balance of \$60,953 to Behavioral Medicine, Inc. and Tim Westmoreland, which includes accrued interest.

NOTE 6 - LITIGATION AND CLAIMS

Litigation:

The Corporation is not involved in any litigation at December 31, 1997, nor is it aware of any unasserted claims.

Grant Disallowances:

The Corporation participates in a federally assisted grant program. This program is subject to a compliance audit under the single audit approach. Such an audit could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant. Caring Connections, Inc.'s management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 7 - CASH IN BANK

All funds are in institutions insured by an agency of the federal government.

NOTE 8 - SUBSEQUENT EVENTS

The Corporation's contract with the Office of Community Services expired in August of 1998. The contract was not renewed and no other federal grants were obtained.

CARING CONNECTIONS, INC.
 MONROE, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 1997

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER OR</u>	<u>PASS-THROUGH AWARD NUMBER</u>	<u>FEDERAL DISBURSEMENTS/ EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u> Passed through Louisiana Office of Community Services - Title IV-B Grant	93.256	1996-1998	441,839

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1997

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant of activity of Caring Connections, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations.

NOTE 2 - SUBRECIPIENTS

Caring Connections, Inc. did not provide federal awards to subrecipients.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF BOARD MEMBERS COMPENSATION
FOR THE YEAR ENDED DECEMBER 31, 1997

The following board members were paid during the period under audit:

	<u>BOARD FEES</u>	<u>SALARY</u>
Tim Westmoreland	-0-	77,760
Tina Varino	-0-	-0-

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1997

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Disclaimer

Internal control over financial reporting:

- * Material weakness(es) identified? ___ yes X no
- * Reportable condition(s) identified that
are not considered to be material
weaknesses? X yes ___ none reported
- Noncompliance material to financial
statements noted? X yes ___ no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? ___ yes X no
- * Reportable condition(s) identified that
are not considered to be material
weaknesses? X yes ___ none reported

Type of auditors' report issued on compliance for major programs:
Qualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.656	Office of Community Services -Title IV-B Grant

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ yes X no

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

SECTION II -- FINANCIAL STATEMENT FINDINGS

97-1

Criteria: Monthly federal payroll deposits are due by the 15th of the next month. State withholding deposits are due by the end of the month following the close of the quarter.

Conditions: Federal and state payroll taxes were not paid in a timely manner.

Questioned Costs: None

Context: We found that payroll taxes were being paid late and penalties and interest were being charged.

Effect: No material effect on the financial statements. Penalties and interest were assessed on late payments.

Cause: Management did not make timely payroll deposits because of cash flow problems during various times of the year. The cash flow problems were caused by delayed receipt of reimbursements of federal money.

Recommendation: We recommend that federal and state payroll taxes be paid in a timely manner.

Response: Management has engaged a payroll service to prepare and make the payroll deposits in a timely manner.

97-2

Criteria: To ensure proper controls, all payroll disbursements should be paid by check and documented in the payroll journal.

Conditions: During one payroll period, employees were paid in cash rather than issued checks.

Questioned Costs: None

-18-

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Context: During our discussion with management, we discovered that they paid employees in cash for one payroll period. The payroll journal did not reflect one period's wages because this was not booked as a payroll entry.

Effect: No effect on the financial statements, but does have an effect on internal controls.

Cause: Management was in the middle of changing banks, and to avoid checks being returned as non-sufficient funds, they paid the employees in cash.

Recommendation: We recommend that management pay all employees with checks and record all payroll expenses in the payroll journal.

Response: Management agrees with this recommendation.

97-3

Criteria: The Corporation should manage the controls over the bank account to ensure limited returned items.

Conditions: The Corporation incurred excessive bank charges during the year.

Questioned Costs: None

Context: We noted several checks that had been returned as non-sufficient fund items. Bank charges on these items were excessive.

Effect: A total of \$1,804.28 was paid for bank charges and non-sufficient fund items. There is no material effect on the financial statements, but this does have an effect on the internal controls.

Cause: Bank charges were caused by returned items due to non-sufficient funds. Management had their receipts of reimbursements of federal money delayed causing cash flow problems.

Recommendation: We recommend that management closely monitor the bank account to ensure that all payments will be covered. This will limit excessive bank charges.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Response: Management agrees to closely monitor the bank account. Management also responds that these fees were not charged to the federal funds.

97-4

Criteria: The Corporation should regularly backup the computer system and store the backups off-site.

Conditions: We noted that the computer system is not backed-up on a regular basis and backups are not stored off-site.

Questioned Costs: None

Context: Computer systems can fail and data lost permanently if not properly backed-up.

Effect: No effect on the financial statements.

Cause: Management has not been able to properly backup.

Recommendation: We recommend that management regularly backup the computer system and store the backups off-site.

Response: Management agrees with this recommendation and will try to implement this as soon as possible.

97-5

Criteria: All invoices should be marked as having been paid after payment to vendor.

Conditions: We noted that invoices were not properly marked as paid after checks have been issued to vendor.

Questioned Costs: None

Context: Invoices are stapled to a copy of the check, but are not marked "paid". Some invoices were not properly attached to the check, so there was no way to know if payment was made on invoices.

Effect: No effect on the financial statements, but does have an effect on internal controls.

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CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Cause: There is no policy in place for management to mark invoices paid.

Recommendation: We recommend that management mark all invoices paid after payment to vendor has been made.

Response: Management agrees to implement this recommendation.

97-6

Criteria: All invoices should be approved for payment.

Conditions: We noted that invoices were not marked as approved for payment by management.

Questioned Costs: None

Context: Invoices should be reviewed by management prior to payment, and marked as approved for payment.

Effect: No effect on the financial statements, but it does have an effect on internal controls.

Cause: Because this is only a two person office, there are times when one does all functions at once, so approval is done at the same time. However, no documentation is made to show that the invoice has been approved for payment.

Recommendation: We recommend that all invoices be approve by management and marked as approved.

Response: Management agrees with this recommendation.

97-7

Criteria: The Louisiana Legislative Auditor requires reports to be filed within six months of the year-end.

Conditions: The audit report for the year-ended December 31, 1997 was filed after the deadline.

Questioned Costs: None

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CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Context: The audit report was submitted after the deadline. These was a change of auditors that caused additional work to be done.

Effect: The Corporation is in violation of state regulations.

Cause: The late submission was caused by a change of auditors during the year. We did not receive the information from the client until after the deadline.

Recommendation: We recommend that future audit reports be filed within six months of the year-end.

Response: Management agrees to submit reports in a timely manner.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

97-1

Criteria: Monthly federal payroll deposits are due by the 15th of the next month. State withholding deposits are due by the end of the month following the close of the quarter.

Conditions: Federal and state payroll taxes were not paid in a timely manner.

Questioned Costs: None

Context: We found that payroll taxes were being paid late and penalties and interest were being charged.

Effect: No material effect on the financial statements. Penalties and interest were assessed on late payments.

Cause: Management did not make timely payroll deposits because of cash flow problems during various times of the year. The cash flow problems were caused by delayed receipt of reimbursements of federal money.

Recommendation: We recommend that federal and state payroll taxes be paid in a timely manner.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Response: Management has engaged a payroll service to prepare and make the payroll deposits in a timely manner.

97-2

Criteria: To ensure proper controls, all payroll disbursements should be paid by check and documented in the payroll journal.

Conditions: During one payroll period, employees were paid in cash rather than issued checks.

Questioned Costs: None

Context: During our discussion with management, we discovered that they paid employees in cash for one payroll period. The payroll journal did not reflect one period's wages because this was not booked as a payroll entry.

Effect: No effect on the financial statements, but does have an effect on internal controls.

Cause: Management was in the middle of changing banks, and to avoid checks being returned as non-sufficient funds, they paid the employees in cash.

Recommendation: We recommend that management pay all employees with checks and record all payroll expenses in the payroll journal.

Response: Management agrees with this recommendation.

97-3

Criteria: The Corporation should manage the controls over the bank account to ensure limited returned items.

Conditions: The Corporation incurred excessive bank charges during the year.

Questioned Costs: None

Context: We noted several checks that had been returned as non-sufficient fund items. Bank charges on these items were excessive.

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CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Effect: A total of \$1,804.28 was paid for bank charges and non-sufficient fund items. There is no material effect on the financial statements, but this does have an effect on the internal controls.

Cause: Bank charges were caused by returned items due to non-sufficient funds. Management had their receipts of reimbursements of federal money delayed causing cash flow problems.

Recommendation: We recommend that management closely monitor the bank account to ensure that all payments will be covered. This will limit excessive bank charges.

Response: Management agrees to closely monitor the bank account. Management also responds that these fees were not charged to the federal funds.

97-4

Criteria: The Corporation should regularly backup the computer system and store the backups off-site.

Conditions: We noted that the computer system is not backed-up on a regular basis and backups are not stored off-site.

Questioned Costs: None

Context: Computer systems can fail and data lost permanently if not properly backed-up.

Effect: No effect on the financial statements.

Cause: Management has not been able to properly backup.

Recommendation: We recommend that management regularly backup the computer system and store the backups off-site.

Response: Management agrees with this recommendation and will try to implement this as soon as possible.

97-5

Criteria: All invoices should be marked as having been paid after payment to vendor.

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CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Conditions: We noted that invoices were not properly marked as paid after checks have been issued to vendor.

Questioned Costs: None

Context: Invoices are stapled to a copy of the check, but are not marked "paid". Some invoices were not properly attached to the check, so there was no way to know if payment was made on invoices.

Effect: No effect on the financial statements, but does have an effect on internal controls.

Response: Management agrees to implement this recommendation.

97-6

Criteria: All invoices should be approved for payment.

Conditions: We noted that invoices were not marked as approved for payment by management.

Questioned Costs: None

Context: Invoices should be reviewed by management prior to payment, and marked as approved for payment.

Effect: No effect on the financial statements, but it does have an effect on internal controls.

Cause: Because this is only a two person office, there are times when one does all functions at once, so approval is done at the same time. However, no documentation is made to show that the invoice has been approved for payment.

Recommendation: We recommend that all invoices be approve by management and marked as approved.

Response: Management agrees with this recommendation.

97-7

Criteria: The Louisiana Legislative Auditor requires reports to be filed within six months of the year-end.

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CARING CONNECTIONS, INC.
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

Conditions: The audit report for the year-ended December 31, 1997 was filed after the deadline.

Questioned Costs: None

Context: The audit report was submitted after the deadline. These was a change of auditors that caused additional work to be done.

Effect: The Corporation is in violation of state regulations.

Cause: The late submission was caused by a change of auditors during the year. We did not receive the information from the client until after the deadline.

Recommendation: We recommend that future audit reports be filed within six months of the year-end.

Response: Management agrees to submit reports in a timely manner.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
DECEMBER 31, 1997

Finding: Except for the payroll functions, all accounting functions such as depositing receipts and preparing, posting, and issuing checks are performed by the office manager. The payroll function is performed by the executive director.

Status: Because of the small size of personnel in the office, these functions cannot be segregated.

Finding: The corporation has only one bank account in which checks are issued. This bank account was not reconciled throughout the entire year nor at year-end.

Status: The bank account was reconciled during 1997 and at year-end.

Finding: Several adjustments were made to cash to reconcile the bank's balance to the book's balance.

Status: No adjustments were made for the year-end balance because the bank account was reconciled.

Finding: Federal and state payroll taxes were not paid in a timely manner for all quarters in 1996.

Status: Federal and state payroll taxes were not paid in a timely manner during 1997.

Finding: The audit report as of and for the year ended December 31, 1996 was filed after the six month deadline.

Status: The audit report was submitted late for 1997 as well.

CARING CONNECTIONS, INC.
MONROE, LOUISIANA
EXIT CONFERENCE
DECEMBER 31, 1997

An exit conference was held on November 6, 1998. Those in attendance were Rowland H. Perry, CPA and the Executive Director.

We reported that we did not discover any material weaknesses in internal control but did discover minor weaknesses in internal control. Such findings have been reported on pages 17 through 26.

The officials of Caring Connections, Inc. received our findings and recommendations favorably and have taken action to implement the recommendations.