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TECHE ACTION BOARD, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
MAY 31, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 2-16-05

**TECHE ACTION BOARD, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2004 AND 2003**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS	5
SCHEDULE OF FUNCTIONAL EXPENSES.....	9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	11
AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	12
AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE	13
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	15



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the accompanying statements of financial position of Teche Action Board, Inc. (the Board) as of May 31, 2004 and 2003 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teche Action Board, Inc. as of May 31, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 on our consideration on the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed under *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Board taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of functional expenses are 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*, and are not required parts of the basic financial statements. Such information has been subjected to the 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.

Largo, Maryland
September 30, 2004

LARGO
9200 BASIL COURT, SUITE 400
LARGO, MD 20774
(240) 492-1400 • FAX: (301) 636-6013
mail@brownco-cpas.com

RICHMOND
100 WEST FRANKLIN STREET, SUITE 102
RICHMOND, VA 23220
(804) 648-2017 • FAX: (804) 648-2018
tdbrownco-cpas@aol.com

TECHE ACTION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2004 AND 2003

	2004	2003
ASSETS		
Current assets		
Cash (Note 3)	\$ 677,306	\$ 749,608
Accounts receivable, patients (Note 4)	503,336	238,374
Inventory	36,164	35,299
Prepaid expenses	22,486	19,630
Total current assets	1,239,292	1,042,911
Property and equipment, net (Note 6)		
Land and improvements	148,575	3,965
Building and improvements	704,295	790,392
Land improvements-capital lease	49,447	-
Furniture and equipment	353,641	296,003
Total property and equipment	1,255,958	1,090,360
Total assets	\$ 2,495,250	\$ 2,133,271
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	251,941	55,891
Accrued payroll and related liabilities	113,763	146,931
Deferred support (Note 7)	-	167,892
Capital lease-short term (Note 8)	17,451	1,636
Total current liabilities	383,155	372,350
Long term liabilities		
Capital lease-long term (Note 8)	21,774	1,576
Total liabilities	404,929	373,926
Net assets:		
Unrestricted	753,594	672,197
Temporarily restricted (Note 9)	1,336,727	1,087,148
Total net assets	2,090,321	1,759,345
Total liabilities and net assets	\$ 2,495,250	\$ 2,133,271

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

TECHE ACTION BOARD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2004
(With Comparable Totals for The Year Ended May 31, 2003)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2004</u>	<u>Total 2003</u>
Revenue and support:				
Grant, Public Health Service	\$ -	\$ 2,558,547	\$ 2,558,547	\$ 2,375,867
Other grants and contracts	45,833	-	45,833	50,000
Revenues, patients (net)	2,013,251	-	2,013,251	1,476,282
State PPS refund	88,542	-	88,542	331,309
Other sources	148,001	-	148,001	70,584
Net assets released from restrictions:				
Satisfaction of program restrictions	2,308,968	(2,308,968)	-	-
Total revenue and support	<u>4,604,595</u>	<u>249,579</u>	<u>4,854,174</u>	<u>4,304,042</u>
Expenses:				
Program services	3,162,017	-	3,162,017	2,800,129
Management and general	1,289,018	-	1,289,018	953,470
Total expenses	<u>4,451,035</u>	<u>-</u>	<u>4,451,035</u>	<u>3,753,599</u>
Change in net assets	153,560	249,579	403,139	550,443
Other changes in net assets				
Prior period adjustments	(72,163)		(72,163)	
Net assets, beginning of the year	<u>672,197</u>	<u>1,087,148</u>	<u>1,759,345</u>	<u>1,208,902</u>
Net assets, end of the year	<u>\$ 753,594</u>	<u>\$ 1,336,727</u>	<u>\$ 2,090,321</u>	<u>\$ 1,759,345</u>

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

TECHE ACTION BOARD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash flows provided by operating activities:		
Change in net assets	\$ 403,139	\$ 550,443
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	137,006	71,612
Decrease (increase) in accounts receivable, patients	(264,962)	88,658
Decrease (increase) in inventory	(865)	(10,000)
Decrease (increase) in prepaid expenses	(2,856)	(11,800)
Increase (decrease) in accounts payable	196,050	24,119
Increase (decrease) in accrued payroll and related expenses	(33,168)	(21,678)
Increase (decrease) in deferred support	(167,892)	140,029
Net cash provided (used) by operating activities	<u>266,452</u>	<u>831,383</u>
 Cash flows provided by financing activities		
Increase in capital lease obligation	50,760	-
Reduction in capital lease obligation	(11,901)	(1,468)
Net cash provided (used) by financing activities	<u>38,859</u>	<u>(1,468)</u>
 Cash flows from investing activities		
Acquisition of capital items	(305,450)	(151,312)
Net cash provided (used) by investing activities	<u>(305,450)</u>	<u>(151,312)</u>
 Prior period adjustments	<u>(72,163)</u>	<u>-</u>
Net increase (decrease) in cash	(72,302)	678,603
Cash and equivalents, beginning of the year	<u>749,608</u>	<u>71,005</u>
Cash and equivalents, end of the year	<u>\$ 677,306</u>	<u>\$ 749,608</u>
 <u>Supplemental Data</u>		
Interest paid	\$ 2,810	\$ 702

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

TECHE ACTION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003

Note 1 *Organization*

Teche Action Board, Inc. (the Board) 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.

Note 2 *Summary of Significant Accounting Policies*

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, that is, when a stipulated time restriction ends or the 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. All other support is recognized when earned.

Property and Equipment

Property and equipment are generally recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. A summary of property and equipment is shown in Note 6. Repairs and maintenance are charged to operations when incurred and betterments and renewals are capitalized accordingly.

Retirement Plan

The Board has a 401(k)-retirement plan for eligible employees. To be eligible, an employee must be employed with the Board for at least one year and must be at least eighteen years of age. Retirement expense recognized was \$33,747 and \$37,838 for fiscal years 2004 and 2003, respectively.

Income Taxes

The Board is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements.

TECHE ACTION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003

Note 2 *Summary of Significant Accounting Policies (Continued)*

Major Funding Source

The Board receives funds from the United States Department of Health and Human Services (DHHS) under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed must be in compliance with the specific terms of the grant agreement. DHHS 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 terminates its DHHS grant activities, all unexpended funds must be returned to the Department of Health and Human Services.

Note 3 *Cash*

Cash as presented on the statements of financial position and cash flows, consists of amounts on hand and in various bank accounts without restricted access.

Note 4 *Accounts Receivable, Patients*

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 accounts receivable balance is the net amount anticipated to be collected, which is approximately thirty (30) and forty-seven (47) percent of the gross amount, for fiscal years 2004 and 2003, respectively. A summary of net accounts receivable is as follows:

	<u>2004</u>		<u>2003</u>
Patient fees	\$ 77,283	\$	48,772
Private insurance	118,150		81,648
Medicare	155,570		48,317
Medicaid	168,710		14,857
Other	103,113		341
	<hr/>		<hr/>
	622,826		393,885
Less: allowance	(119,490)		(155,511)
Accounts Receivable, net	<hr/> <u>\$ 503,336</u>	\$	<hr/> <u>238,374</u>

Note 5 *Inventory*

Inventory consists of pharmaceutical and office supplies on hand at May 31, 2004. All items are valued at cost.

Note 6 *Property and Equipment*

Property and equipment acquired with federal government grant funds are considered to be owned by the Board while used in the program or in future authorized programs. However, the federal government retains a reversionary interest in these assets as well as the right to determine the use of

TECHE ACTION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003

any proceeds from their disposal. Accordingly, the Board may not transfer, mortgage, assign, lease, or in any other manner encumber these restricted items without prior approval of the federal government.

Major categories of property and equipment are as follows:

	<u>2004</u>	<u>2003</u>
Land	\$ 201,751	\$ 6,381
Buildings and improvements	1,271,092	1,236,514
Furniture and equipment	715,275	662,430
Vehicles	52,890	33,090
Less: accumulated depreciation	(985,062)	(848,055)
Property and equipment, net	<u>\$ 1,255,958</u>	<u>\$ 1,090,360</u>

Note 7 *Deferred Support*

The Board received a new grant award related to its Expanded Medical Capacity site. These funds were received and recorded as deferred support in fiscal year 2003, but land and related improvements costs were incurred in 2004.

Note 8 *Capital Lease*

The Board leases equipment and buildings under capital lease agreements. Property acquired under capital leases consists of the following:

	<u>2004</u>	<u>2003</u>
Copier equipment	\$ 0	\$ 6,156
Building improvements	50,760	
Less: accumulated depreciation	1,313	2,654
	<u>\$ 49,447</u>	<u>\$ 3,502</u>

Future minimum lease payments are as follows:

<u>Year ending</u>	
May 31, 2005	\$ 18,273
May 31, 2006	22,841
Minimum lease payments	41,114
Less: interest	3,283
Present value of net minimum obligations	37,831
Less: current portion	16,057
Long-term lease obligation at May 31, 2004	<u>\$ 21,774</u>

TECHE ACTION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003

Total depreciation expense on assets under a capital lease was \$3,729 and \$1,231 for fiscal years 2004 and 2003, respectively.

Note 9 *Net Assets*

Net assets generated from the activities of the Board are restricted unless designated as restricted by donors. The restriction on fixed assets is fully explained in Note 6.

Note 10 *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 for the years ended May 31, 2004 and 2003 were \$997,318 and \$1,143,223.

Note 11 *Donated Facilities*

St. Mary Parish allowed the Board to use a facility to house the pediatric clinic and the ByNet program free of rent and utilities during fiscal year 2003. St. John Parish also allowed the Board to operate a new site free of rent and utilities in Edgard, Louisiana during fiscal year 2004. The value of these in-kind contributions from both Parishes has not been determined.

Note 12 *Donated Pharmaceuticals*

The Board participates in several pharmaceutical distribution programs for indigent patients. Under these programs, free prescriptions are provided to eligible patients of the Board. These amounts are not included in the statements of activities.

TECHE ACTION BOARD, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2004 AND 2003

	Program Services					TOTAL	Management & General		Total	
	A	B	C	D	E		2004	2003		
Salaries	\$ 1,572,087	\$ 321,658	\$ -	\$ 69,998	\$ -	\$ 1,963,743	\$ 439,448	\$ 2,403,191	\$ 2,051,332	
Fringe benefits	208,824	43,082	-	11,115	-	263,021	72,371	335,392	296,821	
Contractual	247,170	371	-	138,781	5,167	391,489	247,244	638,733	478,995	
Supplies	336,497	38,031	-	10,363	-	384,891	56,646	441,537	375,071	
Travel and education	41,519	2,502	-	19,473	1,774	65,268	34,863	100,131	138,993	
Occupancy	-	-	-	-	-	-	34,582	34,582	23,691	
Repairs and maintenance	3,966	4,444	-	-	-	8,410	20,173	28,583	77,073	
Telephone and postage	18,089	1,474	-	1,839	-	21,402	52,632	74,034	69,049	
Dues and registration	2,699	-	-	692	3,985	7,376	16,444	23,820	22,048	
Insurance	-	-	-	-	-	-	23,232	23,232	16,569	
Meetings and seminars	2,434	1,232	-	-	-	3,666	-	3,666	4,738	
Promotion	11,574	137	-	5,778	-	17,489	13,970	31,459	33,119	
Interest, charges and assessments	1,872	-	-	103	-	1,975	5,161	7,136	9,045	
Equipment-non capitalized	23,798	2,041	-	27	-	25,866	86,183	112,049	71,277	
Depreciation	-	-	-	-	-	-	137,006	137,006	71,612	
Other	2,993	600	-	2,350	1,478	7,421	49,063	56,484	14,166	
Total	\$ 2,473,522	\$ 415,572	\$ -	\$ 260,519	\$ 12,404	\$ 3,162,017	\$ 1,289,018	\$ 4,451,035	\$ 3,753,599	

Program Legend

- A Medical
- B Dental
- C Ryan White
- D By Net
- E SLCHN

TECHE ACTION BOARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2004

<u>Federal Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<i>U.S. Department of Health and Human Services</i>			
<u>Bureau of Primary Health Care</u>			
Community Health Centers Program	93.224	6 H80 CS 00767-02-04	\$ 2,070,288
Community Access Program	93.252	1 G92 OA 00155-AO	260,519
Integrated System Planning	93.224I	3 P08 CS 00014-AO	6,568
Total Expenditures of Federal Awards			<u>\$ 2,337,375</u>

The accompanying note is an integral part of this schedule.

TECHE ACTION BOARD, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2004

Note 1 *Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Teche Action Board, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Certain costs have been allocated to the federal programs in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The amounts presented in this schedule do not differ from amounts presented in, or used in the preparation of, the financial statements.



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

We have audited the financial statements of Teche Action Board, Inc. (the Board), as of and for the year ended May 31, 2004, and have issued our report thereon, dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Board'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 the Board'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. 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 solely for the information and use of the management of the Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Largo, Maryland
September 30, 2004



AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

We have audited the compliance of Teche Action Board, Inc. (the Board), 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 programs for the year ended May 31, 2004. The Board's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the Board'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 the Board's compliance with those requirements.*

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended May 31, 2004.

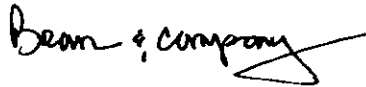
Internal Control Over Compliance

The management of the Board 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 the Board'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 management of the Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.



Largo, Maryland
September 30, 2004

**TECHE ACTION BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2004**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X 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? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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:
 93.224 Community Health Centers Program
 93.252 Community Access Program

Dollar threshold used to distinguish between type A and type B programs: \$ 500,000

Auditee qualified as low-risk auditee? X Yes No

**TECHE ACTION BOARD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2004**

Section II - Financial Statement Findings

Findings Reported in Accordance with *Government Auditing Standards*

Reportable Conditions

None

Questioned Costs

None

Section III - Federal Award Findings and Questioned Costs

The results of our tests disclosed no instances of noncompliance with the requirements applicable to each major federal program that are required to be reported in accordance with section 510(a) of OMB Circular A-133.